

CITY OF
Ketchikan
A L A S K A



COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended December 31, 2015

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**CITY OF KETCHIKAN, ALASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the Year Ended
December 31, 2015

Prepared by:

FINANCE DEPARTMENT

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Director of Finance

Michelle L. Johansen
Controller

City of Ketchikan, Alaska
Comprehensive Annual Financial Report
For The Year Ended December 31, 2015

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LETTER OF TRANSMITTAL



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December 6, 2016

Honorable Mayor, Members of the City Council, and the Citizens
of the City of Ketchikan, Alaska

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Ketchikan, Alaska for the year ended December 31, 2015. Section 5.2 of the City Charter requires an independent audit of the City's financial records and transactions by a certified public accountant within four months after the end of the City's fiscal year. The City Council was notified on May 5, 2016 that the audit would be delayed due to the implementation of Governmental Accounting Standards Board Statement No. 68, "Accounting and Financial Reporting for Pension".

Introduction To The Report

The CAFR was prepared by the City of Ketchikan Finance Department. The accuracy of the data in this financial report, and the completeness and the fairness of the presentation, including all disclosures is the responsibility of management. To provide a reasonable basis for making these representations, a comprehensive internal control framework has been established that is designed to protect the City's assets from loss, theft, or misuse and to maintain sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles. Because the cost of internal controls should not outweigh the benefits, the framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

The City's financial statements have been audited by Teuscher & Walpole, LLC. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the year ended December 31, 2015, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Based upon the audit, the independent auditor concluded that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the year ended December 31, 2015 are fairly presented in conformity with generally accepted accounting principles. The independent auditor's report is presented as the first component of the financial section of this report.

As a recipient of federal and state financial assistance, the City is generally required as part of its annual audit to undergo a federal single audit and a state single audit. Single audits are designed to provide grantors with assurances regarding federal and state grants that have been awarded to the City. A federal single audit was not required for 2015 because the City did not meet the threshold requirements. The state single audit was performed in accordance with the State of Alaska Single Audit Regulation 2 AAC 45.010 and *Audit Guide and Compliance Supplement for State Single Audits*. This audit was designed to meet the special needs of state grantor agencies. The standards governing single audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the City's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards. Information related to these single audits, including the Schedules of Expenditures of Federal Awards and State Financial Assistance, the auditor's reports on the internal control and compliance with applicable laws and regulations, and the schedules of findings and questioned costs are included in separately issued reports.

The narrative introduction, overview and analysis accompanying the basic financial statements entitled, "Management's Discussion and Analysis" (MD&A) provides an objective and easy-to-read analysis of the finances of the City. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditor's report in Financial Section of the CAFR.

Profile of the Government

The City of Ketchikan, incorporated in 1900, is a community of 8,277 and is the fifth largest city in Alaska. Located on Revillagigedo Island in southern Southeast Alaska, and within the boundaries of the Tongass National Forest, Ketchikan is 680 miles north of Seattle, Washington, and 230 miles south of Alaska's capital, Juneau. Ketchikan is the largest city located within the Ketchikan Gateway Borough and occupies five square miles. The population of the Borough is 13,778.

The City is a home rule municipality operating under the Council-Manager form of government. The Mayor and the seven-member City Council are elected for staggered three-year terms by the community at large. Local elections are held annually in October. The governing board is responsible for enacting ordinances, adopting the annual budget, establishing policy, and appointing a City Manager/Utility General Manager, a City Clerk and a City Attorney.

The City Manager/Utility General Manager serves at the pleasure of the City Council and is responsible for implementing the ordinances and policies of the governing board; and overseeing the daily operations of general government and the City's public utilities, including Ketchikan Public Utilities (KPU), the municipally owned electric, telecommunications and water utility.

The City provides a full range of government services, including police and fire protection; emergency medical services; cemetery; library; museum; harbors; parking; street maintenance and improvements; and solid waste collection and disposal. The City operates three enterprise funds that provide port, wastewater, and electric, telephone and water utility services.

The annual budget serves as the foundation for the City's financial planning and control. In the fall of each year, departments of the City are required to submit requests for appropriations and capital projects to the City Manager/KPU General Manager. The City Manager/KPU General Manager uses these requests as the basis for developing a proposed annual budget and five-year capital improvement plan and presents both spending plans to the City Council for review in November. The City Council is required to hold a public hearing on the proposed budget and to adopt a final budget no later than three days before the start of the City's fiscal year, which begins on January 1. The appropriated budget is prepared by fund and department. The City Manager may make limited transfers of appropriations within a department. Transfers of appropriations that exceed the City Manager's authority, between departments and reserves require approval of the City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund and all major special revenue governmental funds of the City, this comparison is presented as required supplementary information. For nonmajor government funds with appropriated budgets, this comparison is presented in the governmental funds subsection of this report.

Local Economy

The information presented in the City's annual financial report is perhaps best understood when it is considered in the context of the local economy in which the City is a participant. From the moment of the City's founding in 1900, the local economy has been based on natural resources. During the early 1900's mining and fishing were important area industries. At one point in its history, Ketchikan was known as the "Salmon Capital of the World". By the 1950's, mining's role in the local economy had diminished and fishing was in the process of being replaced by timber as the major industry that would drive the local economy for nearly fifty years. This transition occurred because two 50-year timber contracts to cut timber in the Tongass National Forest were awarded by the US Forest Service. The contracts resulted in the construction of two major pulp mill facilities, one of which was located in Ketchikan, and the development of several saw mills in and near Ketchikan.

For most of the second half of the 20th Century, the fishing and timber industries co-existed and the community enjoyed the benefits of a stable economy that grew at a slow, but consistent pace. By the time the 1990's

arrived, both industries were under duress. The fishing industry was suffering from high operating costs, excessive inventories, low market prices and competition from farmed fish. The timber industry was faced with addressing environmental issues; changing government regulations that affected the supply of timber from the Tongass National Forest and impacted the cost of doing business; and the premature cancellation of the 50-year timber contracts. Overcoming these issues was difficult at best and eventually resulted in the closure of the Ketchikan pulp mill facility in 1997 and the subsequent closure of a several local saw mills and other regional timber operations in Southeast Alaska.

Ketchikan's economy is still dependent on natural resources but it has transitioned from one that is based on the extraction and development of natural resources to one that is more focused on the preservation of natural resources so they can be shared with future generations from around the world. The fishing and timber industries continue to play an important role in the local economy, but Ketchikan's popularity as a major port of call for large cruise ships and their passengers continues to grow. As a result, tourism has surpassed fishing and timber as the most vibrant segment of the local economy. The number of visitors arriving by large cruise ship has increased from 236,000 in 1990 to a record 938,000 in 2013. The most recent forecast for 2016 is projecting that 29 large cruise ships and 9 small cruise ships will make 489 stops and bring approximately 946,000 passengers to the community. The growth in tourism has led local government and private businesses to make significant investments in the land-based facilities and port infrastructure necessary to accommodate the needs of the industry. The City invested over \$40 million dollars in 2006 to expand and improve its port berthing facilities. Private companies have invested millions of dollars to develop a retail complex at the former Spruce Mill property and Berth IV and its adjacent ground transportation area. The City recently completed phase three of a \$26 million four-phase project to replace Berths I and II. Phase four will be completed in 2017. Upon completion of phase four, the City will have completely replaced its port infrastructure with four modern cruise ship berths capable of serving approximately 1.8 million passengers annually.

The City is a major contributor to the community's economy and has played an important role in planning and supporting economic development. The City is the community's sole provider of electric utility services; the largest provider of port and harbor services; a major provider of telecommunication services; the owner of the Ketchikan Medical Center, a major regional health care facility; and the lead local governmental agency responsible for constructing and maintaining a significant portion of the community's transportation infrastructure, all of which affect the overall direction and health of the local economy. The City is one of the community's top five employers with an annual payroll of \$20.6 million.

The City is located within the boundaries of the Ketchikan Gateway Borough, which had a population of 13,778 in 2015. Approximately 60 percent of the community's population, or 8,277 residents, make their home within the city limits. The City's population peaked in 1997 at 8,552, the last year of operations for the Ketchikan Pulp Company. School enrollment also peaked in 1997 at 2,782 pupils and has since followed a similar downward trend, until bottoming out at 2,110 students in 2009. In 2015, the Ketchikan Gateway Borough School District reported an enrollment of 2,239 pupils.

The shift in the local economy from timber to tourism has resulted in a labor force that has become more seasonal. In 2015, the monthly employment varied between 5,809 and 7,720. The average employed labor force in 2015 was 6,546 with employment peaking at 7,720 in July. The unemployment rate for 2015 was 6.8 percent, a decrease from the 7.6 percent that was reported for 2014. Per capita income for 2012, 2013 and 2014 was \$56,342, \$55,730 and \$57,876, respectively. No figures were available for 2015.

In 2015, assessed values increased by .43% to \$873.5 million. The projected change in assessed values for 2016 is less than 1%. Assessed values appear to be entering another period of little or no appreciation. Gross retail sales increased from \$561.3 million in 2014 to \$595.6 million in 2015, or 6.1 percent and taxable retail sales increased by 1.4% to \$286.1 million. The City collected \$11.4 million in sales tax revenues in 2015, or 5.8 percent more than 2014 due to the City's decision to raise its sales tax rate from 3.5 to 4%, effective April 1, 2014.

Long-Term Financial Planning and Relevant Financial Policies

The mission of the City is to provide cost effective programs and services consistent with the goals of preserving and enhancing the current quality of life enjoyed by the citizens of Ketchikan. The long-term financial planning efforts of the City are directed towards identifying events and situations that may hinder the City's ability to achieve these goals, taking proactive or preemptive roles in developing strategic solutions to address the

challenges that have been presented, and developing reasonable and prudent plans for ensuring that the City has the financial resources available to carry out its strategic solutions. In this context, the governing board and management of the City strive to promote policies and adopt plans that:

- Minimize the local tax burden and support reasonable and equitable fees for local government services.
- Encourage the development of reliable utility services that are adequate to meet the demands of the community at affordable rates that encourage private investment in the community.
- Actively address state mandates or regulatory issues that threaten to increase the cost of local government.
- Support full funding for the development and maintenance of infrastructure necessary to encourage economic development in the community and maintain Ketchikan's position as the major economic hub of Southern Southeast Alaska.

Harbors Development – The community's five harbors serve the boating public, commercial fishermen and other commercial marine enterprises. These harbors used to be owned and maintained by the State of Alaska until they were transferred to the City over the course of several years, with the first transfer taking place in 2001. Under State ownership, the harbors were not well maintained and many of the transferred harbors had fallen into disrepair. In 2012, the City initiated an aggressive \$10 million capital improvement program to improve the condition of the harbors. The financing plan called for issuing a \$5million general obligation bond that would be used as matching funds to secure several grants totaling \$5 million. In order to provide for the debt service on the general obligation bonds, the City Council adopted a plan to increase harbor rates annually by 7% over a five-year period. As of December 31, 2015 the City had issued \$3 million in general obligation bonds for improvements and another bond issue totaling \$2 million will be issued in the fall of 2016. The City Council has also adopted four of the planned rate increases. The fifth and final rate increase will become effective September 2017 if it is approved by the City Council.

Sale of the Telecommunications Utility – On April 6, 2010, the qualified voters of the City passed a ballot proposition authorizing a sale of the City owned telecommunication utility by a vote of 388 to 375. This proposition was driven by growing concerns about KPU Telecommunications' long-term ability to participate financially in a very competitive industry that requires continuing investments in technology and infrastructure necessary to meet consumer demand for new and innovated telecommunication products and services. Since 2010, the City has been working with a broker specializing in purchasing and selling telecommunication properties. Discussions have been held with potential buyers but none of discussions resulted in an offer that could be presented to the City Council for consideration. The City's broker has recently identified a new potential buyer that has expressed an interest in acquiring the City's telecommunications utility. The buyer is currently conducting its due diligence and arranging for financing in the event an offer is made and accepted by the City Council. If a sale does occur, the City will face several fiscal challenges operating its electric and water utilities without the subsidies that have been provided by the telecommunications utilities.

State Fiscal Challenges – The State of Alaska is an oil producing state that relies heavily on taxes assessed against oil companies operating the oil fields located in the state to fund its operating and capital budgets. The recent decline in oil prices has had a dramatic impact on the State's revenue forecast for its upcoming fiscal year, which begins on July 1, 2016. Absent any significant reductions in spending or new revenue sources, the State is facing a \$3.3 billion budgetary shortfall in Fiscal Year 2017. The fiscal health of the State is important to the City and other local governments around the State. Some of the potential impacts are as follows:

- The City receives about \$460,000 annually in revenue sharing from the State. This is an equivalent to six-tenths of a property tax mill. The revenue program is currently under review by the Alaska Legislature and changes are expected to occur.
- State employees account for approximately 9.2% of the local labor force. The loss of State jobs in the community has the potential to impact all sectors of Ketchikan's economy, property values and tax revenues.
- Nearly all municipalities in the State of Alaska participate in the Alaska Public Employees Retirement System. Currently, each employer contributes to the PERS at the rate of 22% of wages. The actuarially required contribution (ARC) is considerably higher. For the year ended June 30, 2015, the ARC was

44.03%. The State currently pays the difference between the ARC and the employer contribution rate of 22% in the form of on-behalf payments to the PERS. The State Legislature has discussed changes to the statutes that would require municipalities to pay a higher contribution rate. It appears for Fiscal Year 2017 no changes will be forthcoming but the future changes may be warranted if the State's fiscal condition does not improve or if the investments of the retirement system incur losses.

- The State is considering a multitude of new revenue options to replace oil based revenues. Some of the options include a state sales tax, state income tax and tapping into the Alaska Permanent Fund. All of these options have the potential to reduce disposable income and potentially affect retail sales and jobs in the community.

Depending on the duration of the depressed oil prices and how the State address its fiscal challenges, the City may have to adjust its long-term planning to account for the loss of revenues and employment opportunities from the State.

Property Tax and Debt Policies – The City currently subscribes to a policy of maintaining a stable property tax levy in order to promote Ketchikan as an attractive place to live and encourage economic development. Changes in the property tax levy are made in the context of a long-term perspective. As a result, increases or decreases in the property tax levy are made only if the long-term financial needs of the City warrant such changes. Short-term financial needs are addressed by making adjustments to the reserves of the City's general fund. The policy has been successful for the past 25 years. Since 1990, the City has lowered its mill rate six times and raised it twice.

The City Charter requires that the voters authorize all general obligation and revenue bonds issued by the City at either a special or regular municipal election. The City currently limits the issuance of revenue bonds to finance improvements for its electric, telecommunications, water and wastewater utilities and its port operations. In addition, revenue bonds can only be issued provided that the net revenue available from the pledged activities is equal to or greater than 1.25 times annual debt service after the issuance of the revenue bonds.

Major Initiatives

The City is a part of a progressive community that seeks to improve the quality of life for its citizens. During 2015, a number of initiatives were undertaken by the City to improve the utility infrastructure, encourage economic development, enhance public safety and public health, promote the education and cultural experience of its citizens, and improve administrative efficiencies of city government. Some of the major initiatives are as follows:

- Refunded the 2005 Hospital General Obligation Bond, which was scheduled to mature in 2017, and achieved net present value savings of \$129,786
- Replaced the baler at the municipal solid waste handling and recycling facility. The baler is an integral component for the processing of solid waste that will be transported to a regional landfill for disposal. The facility serves the citizens and businesses of the City and the Ketchikan Gateway Borough.
- Awarded construction contracts totaling \$4 million for harbor improvements at Thomas Basin and Hole-In-The-Wall harbors.
- Began construction of the \$3.7 million Thomas Basin Seawall. This project is an integral component of the Waterfront Promenade, which extends from Berth IV to the Stedman Street Historical District.
- Expanded wireless telecommunications roaming services to Skagway, Alaska. This was the City's telecommunications utility first commercial venture outside of its traditional service area.
- Completed the \$5.6 million replacement of Bar Harbor South Floats 1N and 9. This was one of several projects programmed for funding from the \$5 million harbor general obligation bond that was ratified by the voters in 2012.

- Successfully renegotiated a 20-year solid waste transport and disposal agreement. This agreement will enable the community of Ketchikan to continue to transport and dispose of its putrescible solid waste at a regional landfill located in Washington State.
- Successfully sold the entire inventory of tax foreclosed properties for amounts in excess of what was required to recover all the unpaid real property taxes, penalties, interest and foreclosure costs.
- Hired a new Public Works Director.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (the "GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended December 31, 2014. This was the thirty-sixth year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of the comprehensive annual financial report was a team effort on the part of the professional staff of the Finance Department. Without their efforts, it would not have been possible to produce this report. Each member worked many extra hours and exhibited an extraordinary effort to ensure the accuracy and timeliness of this report. We appreciate their dedication and the contributions they made to this effort. These individuals are:

Stan Aegerter	Patty Keeley
Anita Beaudoin	Camille Nelson
Gretchen Blanchard	Korry Olsen
Vickie Boyd	Dara Otness
Cristina Doyle	Tracey Sader
Joe Graham	Terry Sivertsen

We would also like to express our appreciation to City Manager Karl Amylon and personnel from other City departments who assisted us in the preparation of this financial report. Finally, we would like to thank the Mayor and members of the City Council for their continued interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Robert E. Newell, Jr., CPA
Finance Director



Michelle L. Johansen
Controller



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

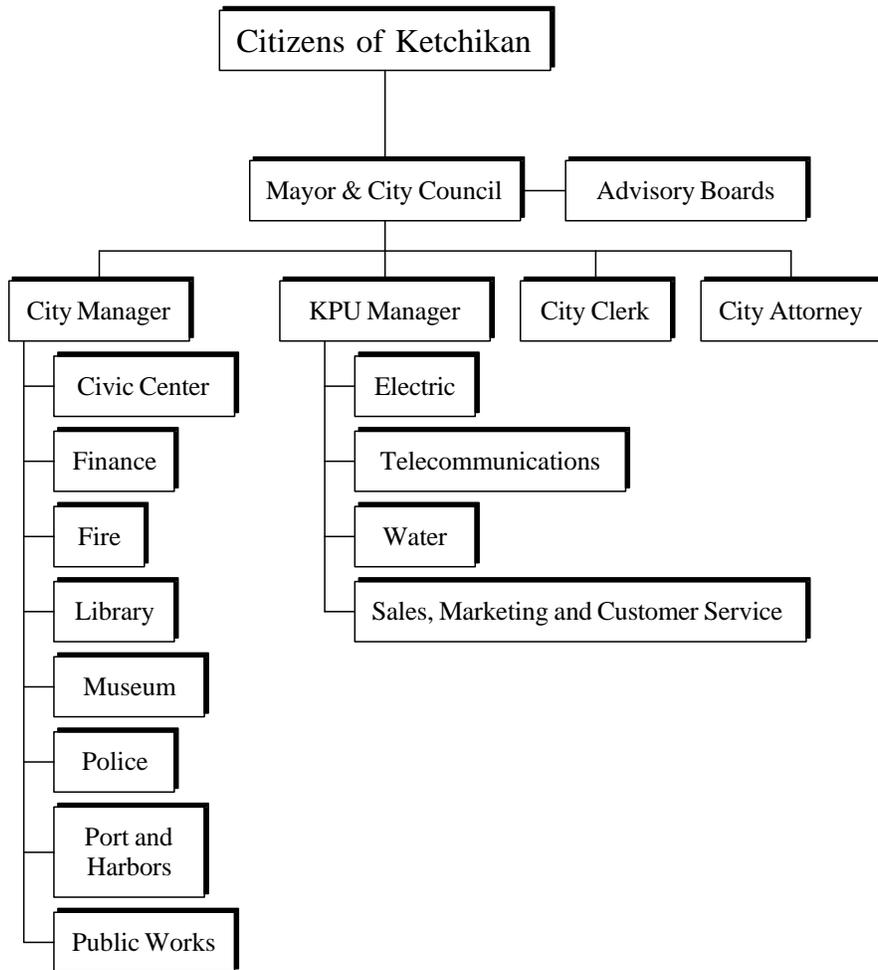
**City of Ketchikan
Alaska**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2014

Executive Director/CEO

CITY OF KETCHIKAN, ALASKA
ORGANIZATIONAL CHART
DECEMBER 31, 2015



CITY OF KETCHIKAN, ALASKA

PRINCIPAL CITY OFFICIALS

December 31, 2015

MAYOR AND CITY COUNCIL

<i>City Mayor</i>	<i>Lew Williams III</i>
<i>City Councilmember</i>	<i>KJ Harris</i>
<i>City Councilmember</i>	<i>Janalee Gage</i>
<i>City Councilmember</i>	<i>Julie Isom</i>
<i>City Councilmember</i>	<i>Robert Sivertsen</i>
<i>City Councilmember</i>	<i>David Kiffer</i>
<i>City Councilmember</i>	<i>Judy Zenge</i>
<i>City Councilmember</i>	<i>Richard Coose</i>

CITY STAFF

<i>City Manager/KPU General Manager</i>	<i>Karl R. Amylon</i>
<i>City Clerk</i>	<i>Katherine M. Suiter</i>
<i>City Attorney</i>	<i>Mitchell A. Seaver</i>
<i>Finance Director</i>	<i>Robert E. Newell, Jr.</i>
<i>Police Chief</i>	<i>Alan W. Bengaard</i>
<i>Fire Chief</i>	<i>Abner L. Hoage</i>
<i>Acting Public Works Director/Engineering Mgr.</i>	<i>Steven R. Corporon</i>
<i>Library Director</i>	<i>Linda S. Lyshol</i>
<i>Museum Director</i>	<i>Lacey G. Simpson</i>
<i>Civic Center Manager</i>	<i>Alice M. Nelson</i>
<i>Port and Harbors Director</i>	<i>Steven R. Corporon</i>
<i>Telecommunications Utility Manager</i>	<i>Edward L. Cushing</i>
<i>Water Utility Manager</i>	<i>John C. Kleinegger</i>
<i>Electric Utility Manager</i>	<i>Andrew R. Donato</i>
<i>Sales, Marketing & Customer Service Manager</i>	<i>Kim N. Simpson</i>



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INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
City of Ketchikan, Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ketchikan, Alaska, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City of Ketchikan, Alaska's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ketchikan, Alaska, as of December 31, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 19-33 and 85–88 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ketchikan, Alaska's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules, as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules, as listed in the table of contents are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2016, on our consideration of the City of Ketchikan, Alaska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Ketchikan, Alaska's internal control over financial reporting and compliance.

Teuscher Walpole, LLC

December 6, 2016



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MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the City of Ketchikan is pleased to provide the users of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2015. We encourage users to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and the information included in the notes to the financial statements.

Financial Highlights

- The City's assets exceeded its liabilities by \$336.1 million (net position) for the calendar year reported.
- Total net position is comprised of the following:
 - 1) Net investment in capital assets of \$278.9 million, include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - 2) Resources of \$23.2 million are restricted by constraints imposed from outside the City such as debt covenants, granting agencies, laws, or regulations.
 - 3) Unrestricted resources of \$34.05 million are available to maintain the City's continuing obligations to its citizens and creditors.
- The City's governmental funds reported total ending fund balance of \$46.2 million this year. This compares to the prior year ending fund balance of \$71.5 million.
- At the end of the current calendar year, unassigned fund balance for the General Fund was \$4.2 million, or 22.2 percent of total General Fund expenditures. This was an increase of \$.5 million from the prior year. The General Fund also reported an operating surplus of \$558,313.
- The City's proprietary funds reported total ending net position of \$161.1 million this year. This compares to the prior year restated ending net position of \$161.9 million, a decrease of \$.8 million.
- The City implemented GASB Statement No. 68, *Accounting and Reporting for Pensions*. Included in the long-term liabilities are net pension liabilities totaling \$14.6 million.
- The City's mill rate remained at 6.7. The City has only increased its mill rate twice in the past 25 years.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

Overview of the Financial Statements

This discussion and analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The City also includes in this report additional information to supplement the basic financial statements. Comparative data is presented when available.

Government-wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of these government-wide statements is the *Statement of Net Position*. This is the government-wide statement of position presenting information that includes all of the City's assets and liabilities, with the difference reported as *net*

position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall health of the City would extend to other nonfinancial factors such as the diversification of the taxpayer base or the condition of City infrastructure, in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the City's net position changed during the current calendar year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both of the government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, public works, culture, harbors, and health and welfare. Business-type activities include Ketchikan Public Utilities (KPU), the Port of Ketchikan and wastewater utility services.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund information for nonmajor funds is provided in the form of combining statements in a later section of this report.

The City has two kinds of funds:

Governmental funds are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term calendar accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives.

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. The City has five proprietary funds; three are classified as enterprise funds and two are internal service funds. The enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization for electric, water, telecommunications and wastewater utilities and port facilities.

Internal service funds are an accounting mechanism used to accumulate and allocate costs internally among the City's various functions. The City uses internal funds to account for its risk management and insurance programs and compensated absences. Internal service fund assets and liabilities are predominantly governmental and have been included in the governmental activities of the government-wide statements of net position.

Notes to the Basic Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budget presentations. A budgetary comparison schedule is included as "required supplementary information" for the general fund. The schedule demonstrates compliance with the City's adopted and final revised budget.

Supplementary Information

As discussed, the City reports major funds in the basic financial statements. Combining and individual statements and schedules for nonmajor funds are presented as supplementary information in this report.

Government-wide Financial Analysis

Statement of Net Position

The City's net position at December 31, 2015 and 2014 totaled \$336.1 million and \$336.6 million, respectively. The net position of the City, as a whole, decreased by \$.5 million. The following table summarizes the net position of the City's governmental and business-type activities:

(This page continued on the subsequent page)

City of Ketchikan's Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 61,548,354	\$ 83,084,963	\$ 44,527,873	\$ 45,129,957	\$ 106,076,227	\$ 128,214,920
Capital assets	194,572,336	157,351,713	184,451,776	188,432,159	379,024,112	345,783,872
Deferred outflows of resources	1,139,053	60,887	351,391	61,284	1,490,444	122,171
Total assets & def. outflows	257,259,743	240,497,563	229,331,040	233,623,400	486,590,783	474,120,963
Current and other liabilities	11,937,989	8,231,283	7,040,210	7,466,238	18,978,199	15,697,521
Long-term liabilities	70,044,490	60,188,680	61,148,336	61,630,581	131,192,826	121,819,261
Deferred inflows of resources	274,279	-	58,925	-	333,204	-
Total liabilities	82,256,758	68,419,963	68,247,471	69,096,819	150,504,229	137,516,782
Net position:						
Net investment in capital assets	154,659,112	143,909,094	124,231,729	124,479,056	278,890,841	268,388,150
Restricted	13,033,820	8,922,032	10,116,562	11,494,674	23,150,382	20,416,706
Unrestricted	7,310,053	19,246,474	26,735,278	28,552,851	34,045,331	47,799,325
Total net position	\$ 175,002,985	\$ 172,077,600	\$ 161,083,569	\$ 164,526,581	\$ 336,086,554	\$ 336,604,181

The largest component of the City's net position is its net investment in capital assets. The City's net investment in capital assets accounts for 82.8 percent of its net position. These capital assets include land, buildings, equipment, vehicles, and infrastructure used to provide services to the citizens of the City. These assets are not available for future spending. For the City as a whole, its net investment in capital assets increased by \$10.5 million. The net investment in capital assets for the City's governmental activities increased by \$10.7 million and the net investment in capital assets for business-type activities decreased by \$247,000.

Approximately 6.9 percent of the City's net position is restricted because of limitations placed on how these resources may be used. Included are resources restricted for debt service, bond proceeds for capital improvements, Commercial Passenger Vessel Excise Tax funds for services provided to passengers and program specific resources accounted for in special revenue funds. Programs provided by the City include solid waste collection and disposal, harbors, and cemetery services.

A portion of the City's net position is unrestricted and may be available to meet the City's ongoing financial obligations. This portion represents resources not restricted by external requirements nor invested in capital assets. The unrestricted portion of net position amounted to \$34.05 million, or 10.1 percent, of total net position. This is a decrease of \$13.7 million from 2015. Unrestricted net position reported for the City's governmental activities decreased by \$11.9 million and the unrestricted net position of the City's business-type activities decreased by \$1.8 million. Most of the decreased was attributable to the implementation of the new accounting standard for pensions.

The City implemented GASB Statement No. 68, *Accounting and Reporting for Pensions* in 2015. As a result, the net position of the governmental activities and the business-type activities were restated by decreasing beginning net position in the amounts of \$8.7 million and \$2.5 million, respectively. Included in the long-term liabilities are net pension liabilities for governmental activities and business-type activities in the amounts of \$11.3 million and \$3.3 million, respectively. For additional information, see Notes to the Basic Financial Statements 2-A and 4-J.

Net position may serve over time as a useful indicator of a government's financial position. Since the City began reporting its net position in 2003, it has increased from \$207.2 million to \$336.1 million. Over the past 12 years, the City's financial position has improved by \$128.9 million, or 62.2 percent.

Changes in Net Position

The City's net position decreased \$517,627 in 2015. The net position for governmental activities increased \$2.9 million and business-type activities decreased \$3.4 million. The following table provides a summary of the changes in the City's net position:

City of Ketchikan's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program:						
Charges for services	\$ 6,693,818	\$ 6,640,071	\$ 48,743,091	\$ 46,723,153	\$ 55,436,909	\$ 53,363,224
Operating grants and contributions	4,124,392	2,444,297	630,204	2,973,832	4,754,596	5,418,129
Capital grants and contributions	11,913,259	18,050,935	1,397,000	12,261,064	13,310,259	30,311,999
General:						
Taxes	17,519,557	16,897,495	-	-	17,519,557	16,897,495
Other	985,020	850,706	509,767	456,031	1,494,787	1,306,737
Total revenues	41,236,046	44,883,504	51,280,062	62,414,080	92,516,108	107,297,584
Expenses:						
General government	3,212,276	2,683,962	-	-	3,212,276	2,683,962
Public safety	10,784,857	9,723,428	-	-	10,784,857	9,723,428
Culture	3,351,076	3,300,295	-	-	3,351,076	3,300,295
Health and welfare	1,165,884	1,099,588	-	-	1,165,884	1,099,588
Public works	9,341,130	10,373,365	-	-	9,341,130	10,373,365
Harbor	2,297,660	2,192,468	-	-	2,297,660	2,192,468
Interest	2,303,764	1,519,245	-	-	2,303,764	1,519,245
KPU	-	-	38,780,372	36,906,790	38,780,372	36,906,790
Port	-	-	7,911,281	11,012,311	7,911,281	11,012,311
Wastewater	-	-	2,683,116	2,477,247	2,683,116	2,477,247
Total expenses	32,456,647	30,892,351	49,374,769	50,396,348	81,831,416	81,288,699
Increase in net position before transfers	8,779,399	13,991,153	1,905,293	12,017,732	10,684,692	26,008,885
Transfers in (out)	2,804,258	6,203,804	(2,804,258)	(6,203,804)	-	-
Increase (Decrease) in net position	11,583,657	20,194,957	(898,965)	5,813,928	10,684,692	26,008,885
Net position, beginning	172,077,600	151,882,643	164,526,581	158,712,653	336,604,181	310,595,296
Net pension liability adjustment	(8,658,272)	-	(2,544,047)	-	(11,202,319)	-
Net pension, beginning restated	163,419,328	151,882,643	161,982,534	158,712,653	325,401,862	310,595,296
Net position - December 31	\$ 175,002,985	\$ 172,077,600	\$ 161,083,569	\$ 164,526,581	\$ 336,086,554	\$ 336,604,181

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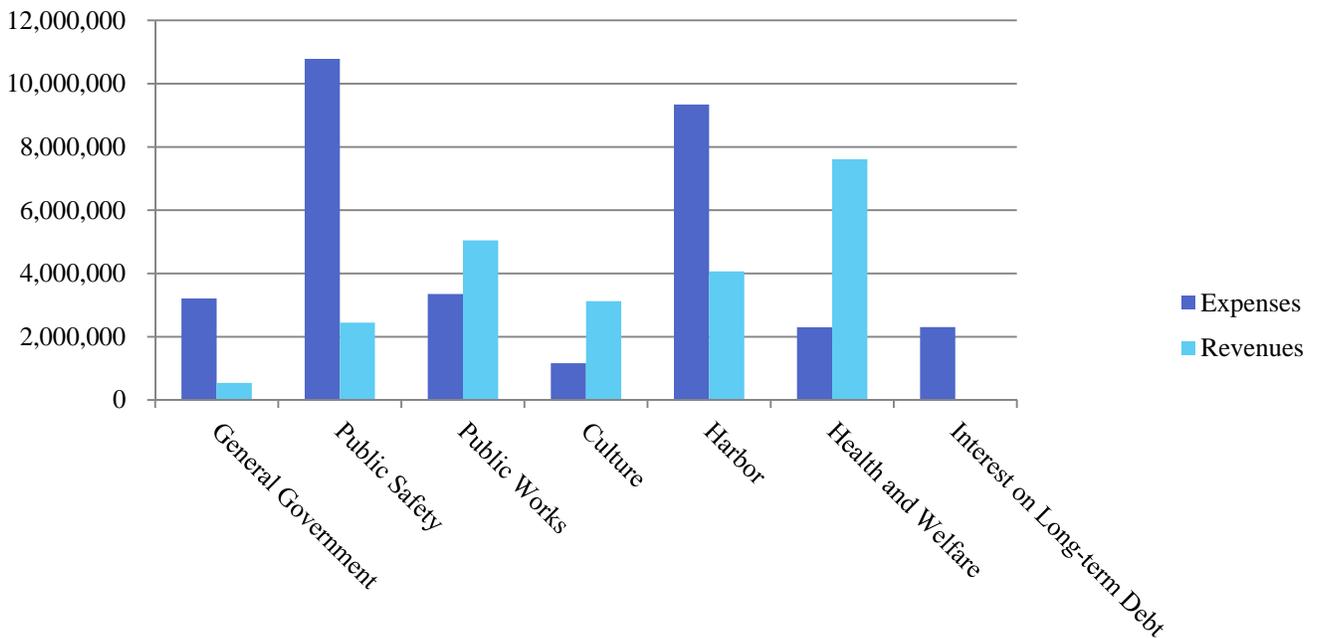
Governmental Activities. The City's net position from governmental activities increased \$2.93 million. Operating results accounted for \$11.6 million but was offset by an \$8.7 million restatement of net position required by GASB No. 68, *Accounting and Financial Reporting for Pensions*. This increase is \$8.5 million less than the increase that occurred in 2014. The key elements in the change in net position from the prior year are as follows:

- Operating grants and contributions increased by \$1.68 million primarily because of a policy change in accounting for the Commercial Passenger Vessel Excise Tax that the City receives from the State of Alaska. The proceeds from the tax were previously accounted for as a business-type activity in 2014.
- Capital grants and contributions decreased by \$6.1 million. Capital grants for the addition to the Ketchikan Medical Center declined \$5.3 million and harbor improvements declined \$1.8 million. All of the grants for the Ketchikan Medical Center were exhausted in 2015. Capital grants for harbor improvements fluctuate annually depending on the projects approved for construction and the source and availability of grant funds. In 2015, the City received a \$1.5 million contribution for the addition to Ketchikan Medical Center.
- Tax revenues increased by \$622,000. The increase occurred because the City raised its consumer sales tax rate from 3.5% to 4%, effective April 1, 2014 and taxable retail sales increased 1.4 percent to 286.1 million.
- Public works expenses decreased \$1 million. In 2014, the City incurred \$1.3 million in expenses to address a serious water infiltration issue at City Hall. These expenses were not incurred in 2015.
- Interest expenses increased by \$785,000 because the City issued \$44 million dollars of general obligation bonds to finance improvements for its healthcare and harbor facilities. The bonds were issued in June 2014. The amount reported for interest expense in 2014 was for a partial year. The amount reported for 2015 represents a full year of interest expense on these bonds.
- Transfers decreased by \$3.4 million due to transfers from the Port Enterprise Fund to the CPV Special Revenue Fund, which was established in 2015 and to the Major Capital Improvements Fund. In 2015, \$1.6 million was transferred from the Port Enterprise Fund as the result of a change in the policy for accounting for the Commercial Passenger Vessel Excise Tax that the City receives from the State of Alaska. In 2014, \$4.9 million was transferred from the Port Enterprise Fund to the Major Capital Improvements to fund the cost of the replacement of the Front Street Extension and the design for the reconstruction of the Thomas Basin Seawall. Both transfers are non-reoccurring.
- Included in expenses were additional pension expenses arising from the implementation of GASB No. 68, *Accounting and Financial Reporting for Pensions*. The implementation of this new standard increased total expenses by \$2.3 million.

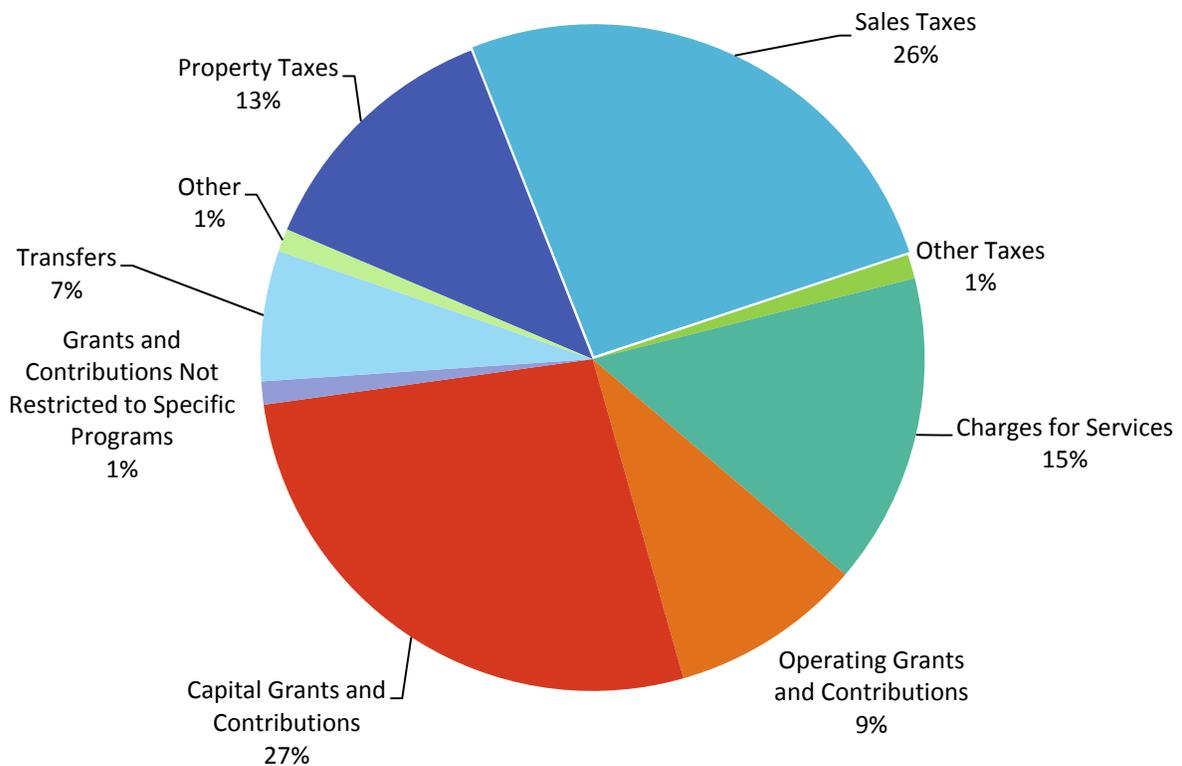
The following graphs compare program revenues with expenses and illustrate the revenues by source for governmental activities.

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EXPENSES AND PROGRAM REVENUES –GOVERNMENTAL ACTIVITIES



REVENUE BY SOURCE – GOVERNMENTAL ACTIVITIES



Business-type Activities. The City's net position from business-type activities decreased \$3.4 million. Operating results accounted for \$900,000 of the decrease and the remaining balance of the decrease was due to a \$2.5 million a restatement of net position required by GASB No. 68, *Accounting and Financial Reporting for Pensions*. The City's business-type activities include electric, telecommunications, water and wastewater utilities; and port operations. The key elements in the change in net position from the prior year are as follows:

Charges for services increased \$2 million. The table below summarizes charges of services by business-type activity.

	2015	2014
Electric	\$ 16,063,847	\$ 16,300,445
Telecommunications	17,439,673	16,097,808
Water	3,449,639	3,171,300
Port	9,032,271	8,578,059
Wastewater	2,757,661	2,575,541
	<u>\$ 48,743,091</u>	<u>\$ 46,723,153</u>

Telecommunication utility revenues increased by \$1.3 million due to the utility introducing its new wireless roaming services and growing customer demand for internet and IPTV services. Rate increases for the water and wastewater utilities, of 4% and 8%, respectively, raised a combined \$460,000 in additional revenues. Large cruise ship traffic increased by 57,000 passengers and resulted in an additional \$399,000 in passenger wharfage fees. A 2.4 percent drop in customer demand for energy resulted in \$237,000 decrease in electric revenues. The weather can have a significant impact on consumer demand for energy. In 2015, the weather was wet and warmer than usual. This type of weather generally decreases the demand for energy.

Capital grants and contributions decreased \$10.9 million due to the winding down of a number of multi-year utility and port capital improvements projects. In 2014, the City completed the Whitman Lake hydroelectric project, the third phase of the Berth I and II replacement project, and the Jackson and Monroe Streets sewer and water main replacement project. Operating grants and contributions decreased \$2.3 million primarily because of a policy change in accounting for the Commercial Passenger Vessel Excise Tax that the City receives from the State of Alaska. The proceeds from the tax are now accounted for as a governmental activity.

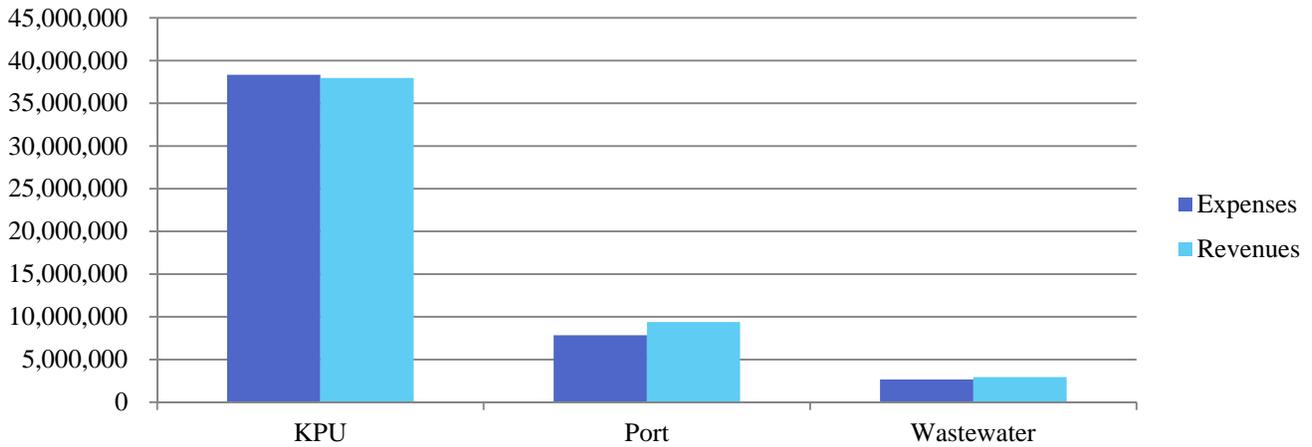
The overall expenses of the City's business-type activities for 2015 decreased from \$50.4 million to \$49.4 million, or \$1 million. The table summarizes expenses by business-type activity

	2015	2014
Electric	\$17,074,535	\$17,352,078
Telecommunications	17,577,826	15,649,634
Water	4,128,011	3,905,078
Port	7,911,281	11,012,311
Wastewater	2,683,116	2,477,247
	<u>\$49,374,769</u>	<u>\$50,396,348</u>

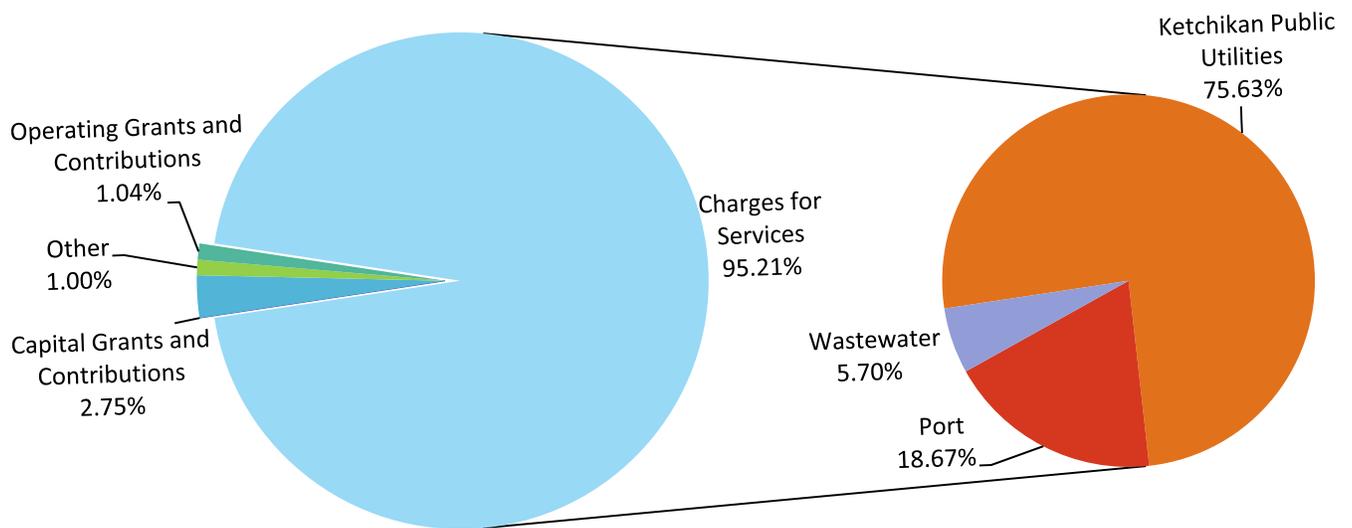
The expenses of the telecommunication utility increased in 2015 by \$1.9 million because of the growth of its non-regulated internet, IPTV and wireless operations. Non-regulated operating costs increased by \$576,000 in order to provide sufficient bandwidth and broadcast content to meet the demands of its customers. The investments in the infrastructure required to provide modern telecommunication services increased depreciation by \$696,000. The cost of regulated operations increased \$347,000 due to normal growth. The expenses of the Port decreased \$3.1 million. Included in the Port's expenses for 2014 was a non-reoccurring \$3 million loss on the disposal of capital assets that were replaced as part of the Berths I and II Replacement Project. The expenses of the wastewater utility increased \$206,000 primarily due to increased maintenance costs incurred to maintain aging wastewater infrastructure.

The following graphs compare program revenues with program expenses and illustrate the revenues by source for business-type activities.

EXPENSES AND PROGRAM REVENUES –BUSINESS-TYPE ACTIVITIES



REVENUE BY SOURCE –BUSINESS-TYPE ACTIVITIES



Financial Analysis of the City's Funds

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The following is an analysis of the City major governmental funds and proprietary funds.

Governmental Funds. The financial statements of governmental funds show more detail than governmental activities in the government-wide financial statements and focus on near-term, inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

The City's governmental funds reported combined ending fund balances of \$46.3 million, a decrease of \$25.3 million or 35.4%, from last year. Nonspendable fund balances total \$364,591 and consists entirely of land held for resale. Restricted fund balances total \$21 million. Assigned fund balances total \$20.8 million and includes \$2.8 million for subsequent year's budget deficit, \$3.5 million for streets and sidewalks maintenance and other public works projects, \$3 million for public buildings improvements, \$4.6 million for public health, \$2.8 million for solid waste, \$1.3 million for abatement of dangerous buildings and parking development, and \$1.2 million for harbors.

The general fund is the primary operating fund of the City through which all receipts of and payments for City operations are processed unless they are required to be accounted for in another fund. By definition, it is a major governmental fund under generally accepted accounting principles. Total general fund revenues for 2015 amounted to \$25.5 million, an increase of \$573,000 from 2014. Raising the City's sales tax rate from 3.5% to 4% effective April 1, 2014 and increased taxable retail sales accounted for nearly all of the increase. Total general fund expenditures for 2015 amounted to \$23.5 million, a decrease of \$1.3 million from 2014. Most of the decrease was attributable to incurring less expenditures in 2015 for the maintenance of the City's public buildings. The total fund balance of the general fund increased from \$16.8 million in 2014 to \$17.4 million in 2015. The unassigned fund balance increased from \$3.72 million to \$4.2 million.

The Hospital Construction Fund is a major fund established in 2014 to account for the proceeds from the City's \$41.3 million general obligation bond issued in May 2014 to finance the construction of a major addition to the Ketchikan Medical Center, a health care facility owned by the City and operated by PeaceHealth of Bellingham, Washington. The fund also accounts for the proceeds from a \$15 million construction grant for the new addition that was awarded by the State of Alaska. In 2015, the fund reported intergovernmental revenues of \$6.1 million, local contributions of \$1.5 million and construction expenses of \$32.3 million. The fund ended the year with a restricted fund balance of \$18.1 million.

Proprietary Funds. The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. Factors concerning the finances of the City's three proprietary funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The legally adopted 2015 budget for the general fund does not include all the City funds that must be accounted for as part of the General Fund as defined by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. For more information on the City's general fund, please see the combining statements for the general fund.

The adopted 2015 Budget for the general fund projected annual revenues of \$17.68 million and subsequently amended to \$17.74 million. The amendments involved the acceptance of grant awards for public safety and cultural activities; miscellaneous. Actual revenues totaled \$17.25 million, which resulted in unfavorable budget variance of \$491,130, or 2.77 percent. A significant portion of the variance was due to a \$374,007 decrease in interdepartmental charges for services. Interdepartmental charges are billed based on actual costs incurred by the departments providing the services. In 2015, the costs incurred by these departments were less than projected. The rest of the difference is due to the inherent subjective nature of the assumptions used to develop revenue projections.

The adopted 2015 Budget for general fund included appropriations for expenditures totaling \$20.04 million. During the year, the 2015 Budget was amended to increase appropriations for expenditures by \$59,878. The City Council also authorized transfers totaling \$130,654 from reserves to appropriations for expenditures. The amendments and the transfers increased

appropriations for expenditures to 20.23 million. All of the amendments provided appropriations for spending the proceeds from grants awards for public safety and cultural activities and miscellaneous contributions; and additional interdepartmental services for informational technology. The transfers were used to providing additional funding for community promotion, professional services, community grants, wage and employee benefit adjustments, and debt service. Actual expenditures totaled \$18.5 million. Vacancies accounted for most of the positive budget variance, but mild winter weather, lower fuel costs and City departments generally spending less than the amount appropriated for their department also contributed to the outcome. In 2015, the general fund incurred a budgetary surplus of \$886,000. This is the second consecutive year that the general fund has realized a surplus and demonstrates that the City has adequately reversed and addressed the reoccurring deficits from prior years. The improvement was the result of a combination of the City Council's efforts to control spending and an increase in the City's sales tax rate from 3.5% to 4%.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities, net of accumulated depreciation as of December 31, 2015, amounts to \$379 million. This investment in capital assets includes land, buildings, improvements, utility plants, port facilities, machinery and equipment, and infrastructure. The total increase in the City's investment in capital assets, net of accumulated depreciation, was \$33.2 million or 9.6 percent. The City's investment in governmental activities increased \$37.2 million and business-type activities capital assets decreased by \$4 million. See Note 4-E for additional information about changes in capital assets during the calendar year and the amount outstanding at the end of the year. The following table provides a summary of capital asset activity.

(This page continued on the subsequent page)

Capital Assets

	Governmental Activities		Business Activities		Total	
	2015	2014	2015	2014	2014	2013
Non-depreciable assets:						
Land	\$ 28,904,498	\$ 28,904,498	\$ 4,498,606	\$ 4,498,606	\$ 33,403,104	\$ 33,403,104
Easements	588,168	588,168	-	-	-	-
Construction in progress	49,661,624	17,112,926	2,563,092	4,302,650	52,224,716	21,415,576
Intangibles and other	100,750	100,750	221,766	306,502	322,516	407,252
Total non-depreciable	<u>\$ 79,255,040</u>	<u>\$ 46,706,342</u>	<u>\$ 7,283,464</u>	<u>\$ 9,107,758</u>	<u>\$ 86,538,504</u>	<u>\$ 55,814,100</u>
Depreciable assets:						
Utility plants	\$ -	\$ -	\$ 266,164,418	\$ 259,508,125	\$ 266,164,418	\$ 259,508,125
Port facilities	-	-	66,612,660	66,593,985	66,612,660	66,593,985
Land improvements	1,554,203	1,554,203	-	-	1,554,203	1,554,203
Buildings	75,840,835	74,818,110	-	-	75,840,835	74,818,110
Machinery and equipment	16,344,693	15,502,452	-	-	16,344,693	15,502,452
Infrastructure	76,751,184	71,076,759	-	-	76,751,184	71,076,759
Software	581,531	624,705	-	-	581,531	624,705
Total depreciable assets	171,072,446	163,576,229	332,777,078	326,102,110	503,849,524	489,678,339
Less accum. depreciation	<u>(55,755,150)</u>	<u>(52,930,858)</u>	<u>(155,608,766)</u>	<u>(146,777,709)</u>	<u>(211,363,916)</u>	<u>(199,708,567)</u>
Net depreciable assets	<u>\$ 115,317,296</u>	<u>\$ 110,645,371</u>	<u>\$ 177,168,312</u>	<u>\$ 179,324,401</u>	<u>\$ 292,485,608</u>	<u>\$ 289,969,772</u>
Percentage depreciated	<u>33%</u>	<u>32%</u>	<u>47%</u>	<u>45%</u>	<u>42%</u>	<u>41%</u>
Book value - all assets	<u>\$ 194,572,336</u>	<u>\$ 157,351,713</u>	<u>\$ 184,451,776</u>	<u>\$ 188,432,159</u>	<u>\$ 379,024,112</u>	<u>\$ 345,783,872</u>

Major capital assets under construction during 2015 and included in construction in progress are as follows:

- Ketchikan Medical Center Addition - \$32,530,000
- Thomas Basin Seawall Replacement- \$2,431,000
- Hole-In-The-Wall Harbor Replacement - \$790,000

Major capital assets placed in service during 2015 are as follows:

- Bar Harbor South Floats 1N and 9 Replacement - \$5,260,000
- Baler Replacement for Municipal Landfill - \$686,000
- Ketchikan Medical Center Elevators Replacement - \$768,000
- Fire Pumper Apparatus Replacement - \$546,000
- Bauer/Hopkins Bridge & Trestles Replacement - \$588,000

At December 31, 2015, the depreciable capital assets for governmental activities were 33 percent depreciated. At December 31, 2014 and 2013, capital assets were 32 and 33 percent depreciated, respectively. This trend would suggest that the City has generally been maintaining its governmental capital assets. A trending decrease in the percentage is an indicator that capital assets are being well maintained. No change in the percentage of assets depreciated implies that capital assets are being properly maintained. A trending increase in the percentage is an indicator that capital assets are not being maintained. The City's business-type activities capital assets were 47 percent depreciated at December 31, 2015 compared to 45 and 50 percent for 2014 and 2013, respectively. This trend would suggest that the City has also been generally maintaining its business-type capital assets.

Long-term Debt

At December 31, 2015, the City had \$117 million in outstanding bonded debt and other long-term debt, a decrease of \$4.7 million from 2014. Total general obligation bonded debt decreased from \$59.6 million to \$57.5 million, or 3.5 percent. Total revenue bonded debt decreased from \$59 million to \$56.1 million, or 4.9 percent. The following table provides a summary of outstanding long-term debt:

Outstanding Long-term Debt

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$55,550,000	\$56,895,000	\$1,972,026	\$2,711,970	\$57,522,026	\$59,606,970
Revenue bonds	-	-	56,102,379	58,976,805	56,102,379	58,976,805
Landfill closure costs	959,880	956,040	-	-	959,880	956,040
Compensated absences	1,407,254	1,327,291	988,450	844,602	2,395,704	2,171,893
Total	\$ 57,917,134	\$ 59,178,331	\$ 59,062,855	\$ 62,533,377	\$ 116,979,989	\$ 121,711,708

In August 2007, the City issued a \$6.5 million junior lien municipal utility revenue bond through the Alaska Department of Environmental Conservation's (ADEC) Drinking Water Loan Program to finance the construction of a disinfection treatment facility for the City's municipal water utility. The amount of the bond was subsequently reduced to \$5.5 million. The proceeds from this loan were disbursed to the City as it incurred construction costs. As of December 31, 2015, the City had incurred construction costs of \$4.82 million that were eligible for reimbursement from this loan program. The City does not expect to borrow more than \$5.5 million for this project. The final loan amount will be determined at the time the project is completed.

In January 2012, the City issued a \$2.6 million general obligation bond through the ADEC's Clean Water Loan Program for the Jackson/Monroe Avenue Sewer Main Replacement Project. The City received the proceeds from the loan as it incurred construction costs. The project has been completed and the loan amount was finalized in 2015. The amount of the loan net of principal forgiveness was \$1,130,789.

In January 2012, the City issued a \$2.2 million of junior lien municipal utility revenue bond through the ADEC's Drinking Water Loan Program to finance the construction of Jackson/Monroe Avenue Water Main Replacement Project. The City received the proceeds from the loan as it incurred construction costs. The project has been completed and the loan amount was finalized in 2015. The amount of the loan net of principal forgiveness was \$901,748.

In February 2015, the City refunded its 2005 Hospital Refunding General Obligation Bond with the issuance of its 2015 Hospital Refunding General Obligation Bond. Annual debt service savings of \$131,198 were realized and the net present value savings were \$128,786. The 2015 Bond will mature in October 2017.

All of the City's general obligation and municipal revenue bonds have been issued through the Alaska Municipal Bond Bank, the Alaska Department of Environmental Conservation or Bank of America. The rating agencies have not separately rated these bonds. The City's general obligation bonded indebtedness is not subject to a legal debt ceiling. The City is required to maintain debt service coverage that generates net revenue from its utilities and port operations that is equal to or greater than 1.25 times

annual debt service. The City has complied with all general obligation and revenue bond covenants. As of December 31, 2015, the City's total direct general obligation bond debt per capita was \$7,244.

See Note 4-I for additional information about the City's long-term debt. The landfill closure and postclosure care liability are discussed in Note 4-H.

Economic Factors and Next's Year Budgets and Rates

Tourism is an important part of the local economy but the industry is particularly sensitive to consumer demand, which dictates the scheduling for cruise ships visiting Ketchikan. In 2013, a record 955,000 visitors arrived by cruise ship. This banner year was followed by a decline to 885,000 visitors in 2014 and a rebound to 945,000 in 2015. Local businesses and governments have made significant investments in infrastructure and other facilities to serve and support the visitors industry. The loss of visitors can have a significant impact on retail sales, employment opportunities, and local government revenues. The City expects the decline that occurred in 2014 to be an anomaly and the number of visitors arriving by cruise ship to recover and continue to grow. In 2016, the City is planning to host 946,000 cruise ship visitors.

The collapse of oil prices in the United States and around the globe has had an immediate impact on the finances of state government because oil revenues fund about 90 percent of the State of Alaska's General Fund. For fiscal year 2017, the State of Alaska is projecting an operating budget deficit of \$4 billion, which cannot be funded indefinitely from the Constitutional Budget Reserve. Since the price of oil is expected to remain depressed for an extended period, the State needs to develop a long-term strategy for addressing its future budget deficits. The development of a strategy is important for the financial well-being of the City and other local governments in the State of Alaska. Continuing budget deficits at the state level will affect state revenue sharing, employer contributions and on-behalf payments to the Alaska Public Employees Retirement System, capital grants, job security for state employees residing in our communities and services that the communities have come to rely upon such as the management of state-owned airports and ferry systems. In addition to cuts in spending, the State is also looking at new revenue sources such as taxes and fees to balance the budget. State taxes have the potential to reduce disposable income and hurt local economies. The failure of the Alaska Legislature to address the State's current and future budget deficits adequately will affect the economies and finances of local governments across the state. Rural communities such as the City may feel more of the fallout because of their heavy reliance on the state government for services and financial support.

Work continues on a \$58 million addition for the Ketchikan Medical Center. Included in this project are a new surgical suite and clinical space. This project will improve health care services in Southern Southeast Alaska and attract new employers and residents. The project is being financed by a \$43.32 million general obligation bond and federal and state grants. The proceeds from the City's 1% Hospital Sales Tax will provide for the annual debt service on the bond. The planned completion date of the project is June 2016.

Looking to 2016, the City expects the local economy to enter into a period of stability assuming the State is successful in addressing its fiscal challenges. The forecast calls for the tourism sector to remain steady, which will have a positive impact on retail sales and local tax revenues. Recent private and public investments in cultural, health and recreational facilities have helped to make Ketchikan a comfortable and attractive community to visit. The maritime industry continues to thrive. The shipyard operated by Vigor Alaska is under contract to construct two 280 foot day-boat ferries for the Alaska Marine Highway System at its facilities in Ketchikan. The local mining industry got a big boost when the 2014 Alaska Legislature authorized the Alaska Industrial Development and Export Authority to loan up to \$270 million to two companies that have been working to develop mine sites located on the Prince of Wales Island. One project has been put on hold because of financing issues and market conditions. The other project is continuing its exploratory efforts. Ketchikan would play a key role in supporting the development and operations of the mines.

In February 2016, the City Council approved a series of rate increases intended to address the revenue requirements of its utilities. Electric utility rates were increased 5 percent; wastewater and water utility rates were increased 8 percent; solid waste disposal fees were increased 20.8 percent; and solid waste collection fees were increased 10 percent. All the rate increases become effective April 1, 2016.

In January 2016, the City Council approved a fourth 7% rate increase for the use of the City's harbor facilities. The rate increase will become effective September 1, 2016 and is part of a program to raise rates in order to finance the debt service on a \$5 million general obligation bond that the City plans to issue in phases over the next two years for the construction of new harbor facilities. As of December 31, 2015, the City had issued \$3 million against the \$5 million authorization. The City expects to issue the final \$2 million in the fall of 2016.

The City will continue to monitor the local economy and follow a conservative approach in managing its fiscal affairs. The City Council recognizes that the community is still recovering from an economic downturn and the importance of a balanced approach to taxes and spending. The City Council is prepared to make necessary modifications to current and future fiscal plans to ensure that City's financial position remains strong and the cost of services provided to the City's citizens are reasonable.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, creditors, and investors with a general overview of the City's finances and to demonstrate the City's accountability for the financial resources it receives. Questions concerning the information provided in this report or requests for additional information should be addressed to the City of Ketchikan, Office of the Finance Director, 334 Front Street, Ketchikan, Alaska 99901 or call (907) 228-5621. This financial report and prior year financial reports are also available on our web site at www.city.ketchikan.ak.us/departments/finance/index.html.



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**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**



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City of Ketchikan, Alaska
Statement of Net Position
December 31, 2015

	Governmental Activities	Business-type Activities	Total
Assets			
Current assets:			
Cash and temporary investments (Note 4A)	\$ 33,555,341	\$ 25,402,150	\$ 58,957,491
Restricted cash, cash equivalents and investments	20,998,545	2,043,226	23,041,771
Receivables:			
Accounts	661,057	3,306,835	3,967,892
Taxes	2,504,457	-	2,504,457
Intergovernmental	1,729,161	1,287,596	3,016,757
Miscellaneous	33,171	-	33,171
Unbilled	53,521	1,091,778	1,145,299
Advances	1,033,791	(1,033,791)	-
Inventory	-	2,955,547	2,955,547
Prepaid items	614,719	1,127,987	1,742,706
Total current assets	61,183,763	36,181,328	97,365,091
Noncurrent assets:			
Land for resale	364,591	-	364,591
Restricted investments	-	8,338,759	8,338,759
Accrued interest on restricted assets	-	7,786	7,786
Capital Assets (Note 4E)			
Nondepreciable capital assets	79,255,040	7,283,464	86,538,504
Depreciable capital assets, net	115,317,296	177,168,312	292,485,608
Total noncurrent assets	194,936,927	192,798,321	387,735,248
Total Assets	256,120,690	228,979,649	485,100,339
Deferred Outflow of Resources	1,139,053	351,391	1,490,444
Total Assets and Deferred Outflow of Resources	257,259,743	229,331,040	486,590,783

City of Ketchikan, Alaska
Statement of Net Position (Cont'd)
December 31, 2015

	Governmental Activities	Business-type Activities	Total
Liabilities			
Current liabilities			
Accounts payable	7,737,428	2,877,293	10,614,721
Payroll payable	1,782,719	-	1,782,719
Accrued interest payable	354,071	335,803	689,874
Customers deposits payable	12,200	370,940	383,140
Unearned revenue	274,389	27,482	301,871
Claims payable	143,000	-	143,000
Compensated absences payable	140,725	98,845	239,570
General obligation bonds payable	1,493,457	96,531	1,589,988
Revenue bonds payable	-	3,233,316	3,233,316
Total current liabilities	11,937,989	7,040,210	18,978,199
Noncurrent liabilities			
Accrued interest payable	-	4,278	4,278
Compensated absences payable (net of current portion)	1,266,529	889,605	2,156,134
Net pension liability	11,327,457	3,328,328	14,655,785
Landfill closure costs	959,880	-	959,880
General obligation bonds payable (net of current portion)	56,490,624	1,875,495	58,366,119
Revenue bonds payable (net of current portion)	-	55,050,630	55,050,630
Total noncurrent liabilities	70,044,490	61,148,336	131,192,826
Deferred Inflow of Resources	274,279	58,925	333,204
Total Liabilities and Deferred Inflows of Resources	82,256,758	68,247,471	150,504,229
Net Position			
Net investment in capital assets (Note 4K)	154,659,112	124,231,729	278,890,841
Restricted for:			
Capital and maintenance outlay	6,098,537	-	6,098,537
Repair and replacement funds	-	4,192,162	4,192,162
Commercial passenger excise tax funds	2,301,546	-	2,301,546
Debt service	-	5,924,400	5,924,400
Solid waste operations and maintenance	3,089,337	-	3,089,337
Harbor operations and maintenance	1,004,263	-	1,004,263
Cemetery operations and maintenance	135,434	-	135,434
Investigation and property seizure funds	304,703	-	304,703
Unrestricted	7,410,053	26,735,278	34,145,331
Total Net Position	\$ 175,002,985	\$ 161,083,569	\$ 336,086,554

See accompanying notes to the basic financial statements

City of Ketchikan, Alaska
Statement of Activities
For the Year Ended December 31, 2015

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 3,212,276	\$ 82,888	\$ 510,821	\$ -
Public safety	10,784,857	1,232,213	1,200,969	13,694
Culture	3,351,076	913,698	2,206,766	-
Health and welfare	1,165,884	2,678	-	7,609,130
Public works	9,341,130	3,184,539	142,148	1,719,181
Harbor	2,297,660	1,330,362	63,688	2,571,254
Interest	2,303,764	-	-	-
Total Governmental Activities	32,456,647	6,746,378	4,124,392	11,913,259
Business-Type Activities:				
Electric, telecommunications and water	38,780,372	36,953,159	537,986	948,582
Port	7,911,281	9,032,271	70,425	277,647
Wastewater	2,683,116	2,757,661	21,793	170,771
Total Business-Type Activities	49,374,769	48,743,091	630,204	1,397,000
Total	\$ 81,831,416	\$ 55,489,469	\$ 4,754,596	\$ 13,310,259

General Revenues:

Property taxes
Sales taxes
Transient taxes
Intergovernmental - unrestricted
Investment earnings
Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position Beginning of Year, Restated

Net Position End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (2,618,567)	\$ -	\$ (2,618,567)
(8,337,981)	-	(8,337,981)
(230,612)	-	(230,612)
6,445,924	-	6,445,924
(4,295,262)	-	(4,295,262)
1,667,644	-	1,667,644
(2,303,764)	-	(2,303,764)
<u>(9,672,618)</u>	<u>-</u>	<u>(9,672,618)</u>
-	(340,645)	(340,645)
-	1,469,062	1,469,062
-	267,109	267,109
<u>-</u>	<u>1,395,526</u>	<u>1,395,526</u>
<u>(9,672,618)</u>	<u>1,395,526</u>	<u>(8,277,092)</u>
5,578,404	-	5,578,404
11,425,197	-	11,425,197
515,956	-	515,956
498,885	-	498,885
94,750	93,966	188,716
338,825	415,801	754,626
2,804,258	(2,804,258)	-
<u>21,256,275</u>	<u>(2,294,491)</u>	<u>18,961,784</u>
11,583,657	(898,965)	10,684,692
<u>163,419,328</u>	<u>161,982,534</u>	<u>325,401,862</u>
<u>\$ 175,002,985</u>	<u>\$ 161,083,569</u>	<u>\$ 336,086,554</u>



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FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

City of Ketchikan, Alaska
Balance Sheet
Governmental Funds
December 31, 2015

	General	Hospital Construction	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and temporary investments	\$ 18,359,186	\$ 5,396,211	\$ 7,764,667	\$ 31,520,064
Restricted cash:				
Bond construction funds	-	18,104,001	270,208	18,374,209
Investigation funds	137,151	-	-	137,151
Property seizure funds	-	-	185,639	185,639
Commercial passenger excise tax funds	-	-	2,301,546	2,301,546
Receivables:				
Accounts	352,872	-	308,185	661,057
Taxes	2,197,802	-	306,655	2,504,457
Intergovernmental	44,284	-	1,684,877	1,729,161
Interfund	365,043	-	-	365,043
Advances from other funds	554,047	-	433,791	987,838
Unbilled receivables	-	-	53,521	53,521
Land for resale	364,591	-	-	364,591
Total Assets	\$ 22,374,976	\$ 23,500,212	\$ 13,309,089	\$ 59,184,277
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	\$ 931,971	\$ 5,396,211	\$ 1,393,076	\$ 7,721,258
Payroll payable	1,782,719	-	-	1,782,719
Customer deposits payable	-	-	12,200	12,200
Interfund payable	-	-	365,043	365,043
Unearned revenue	131,998	-	142,391	274,389
Advances to other funds	-	-	554,047	554,047
Total Liabilities	2,846,688	5,396,211	2,466,757	10,709,656
Deferred Inflows of Resources	2,132,293	-	94,731	2,227,024
Fund Balances				
Nonspendable - Land held for resale	364,591	-	-	364,591
Restricted for:				
Law enforcement	137,151	-	167,552	304,703
Commercial passenger excise tax	-	-	2,301,546	2,301,546
Bond construction funds	-	18,104,001	270,208	18,374,209
Assigned:				
Subsequent years budget	2,379,223	-	396,167	2,775,390
Parking development and abatement of dangerous buildings	1,289,707	-	-	1,289,707
Hospital development and expansion	4,583,514	-	-	4,583,514
General government	206,499	-	-	206,499
Public safety	617,087	-	-	617,087
Culture and tourism	399,726	-	354,150	753,876
Public works	107,259	-	-	107,259
Collection and disposal of solid waste	-	-	2,796,635	2,796,635
Cemetery operations	-	-	106,434	106,434
Harbor operations	-	-	929,798	929,798
Streets, sidewalks and other public projects	3,123,708	-	-	3,123,708
Development of community facilities	-	-	3,033,593	3,033,593
Harbor construction	-	-	317,061	317,061
Public works projects	-	-	176,129	176,129
Unassigned	4,187,530	-	(101,672)	4,085,858
Total Fund Balances	17,395,995	18,104,001	10,747,601	46,247,597
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 22,374,976	\$ 23,500,212	\$ 13,309,089	\$ 59,184,277

See accompanying notes to the basic financial statements

City of Ketchikan, Alaska
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2015

Total Governmental Fund Balances		\$ 46,247,597
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. However, in the statement of net position the cost of these assets are capitalized and expensed over their estimated lives through annual depreciation expense.		
Cost of capital assets	\$ 250,327,485	
Less accumulated depreciation	<u>(55,755,149)</u>	194,572,336
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Taxes		2,163,110
Services		63,915
Interfund receivables and payables between governmental funds are reported on the fund balance sheet but eliminated on the government-wide statement of net assets:		
Interfund receivables	\$ 365,043	
Interfund payables	<u>(365,043)</u>	-
An internal service fund is used by management to charge the costs of compensated absences, insurance and claims to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		
		1,716,742
Accrued interest is not reported at the fund financial reporting level		
		(354,071)
Deferred inflows and outflows not reported at the fund financial reporting level		
Deferred Outflow	\$ 1,139,053	
Deferred Inflow	<u>(274,279)</u>	864,774
Liabilities that are not due in the current period and therefore are not reported in the funds:		
General obligation bonds	\$ (55,550,000)	
Premiums for GO bonds	(2,434,081)	
Net pension liability	(11,327,457)	
Landfill closure costs	<u>(959,880)</u>	<u>(70,271,418)</u>
Net Position Of Governmental Activities		<u>\$ 175,002,985</u>

See accompanying notes to the basic financial statements

City of Ketchikan, Alaska
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2015

	General	Hospital Construction	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 17,009,964	\$ -	\$ 486,838	\$ 17,496,802
Licenses and permits	117,705	-	-	117,705
Intergovernmental	2,608,433	6,109,130	6,254,311	14,971,874
Charges for services	2,047,110	-	4,149,418	6,196,528
Fines and forfeitures	150,472	-	40,439	190,911
Investment earnings	2,180	36,710	31,792	70,682
Contributions	-	1,500,000	9,991	1,509,991
Interdepartmental charges	3,138,615	-	42,150	3,180,765
Miscellaneous	375,757	-	143,214	518,971
Total Revenues	25,450,236	7,645,840	11,158,153	44,254,229
Expenditures				
Current:				
General government	5,070,762	-	-	5,070,762
Public safety	9,169,770	-	35,289	9,205,059
Culture and tourism	3,094,957	-	500	3,095,457
Health and welfare	794,591	-	-	794,591
Public works	5,331,201	-	2,853,954	8,185,155
Harbor	-	-	1,129,429	1,129,429
Debt Service:				
Principal retirement	-	-	3,625,000	3,625,000
Interest and fiscal charges	-	-	2,465,094	2,465,094
Debt issuance cost	-	-	17,468	17,468
Capital Outlay	-	32,275,741	8,937,380	41,213,121
Total Expenditures	23,461,281	32,275,741	19,064,114	74,801,136
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,988,955	(24,629,901)	(7,905,961)	(30,546,907)
Other Financing Sources (Uses)				
Sale of capital assets	66,691	-	-	66,691
Issuance of refunding bonds	-	-	2,280,000	2,280,000
Premiums from issuance of refunding bonds	-	-	101,300	101,300
Transfers in	1,566,830	-	8,699,809	10,266,639
Transfers out	(3,064,163)	(4,345)	(4,393,873)	(7,462,381)
Total Other Financing Sources (Uses)	(1,430,642)	(4,345)	6,687,236	5,252,249
Net Change in Fund Balances	558,313	(24,634,246)	(1,218,725)	(25,294,658)
Fund Balances Beginning of Year	16,837,682	42,738,247	11,966,326	71,542,255
Fund Balances End of Year	\$ 17,395,995	\$ 18,104,001	\$ 10,747,601	\$ 46,247,597

See accompanying notes to the basic financial statements

City of Ketchikan, Alaska
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2015

Net Changes In Fund Balances - Total Governmental Funds		\$ (25,294,658)
Amounts reported for governmental activities in the statement of activities are different because		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period.		
Depreciation expense	\$ (4,514,809)	
Capital outlay	41,970,891	37,456,082
The book value of capital assets relating to the disposition is not reported at the fund financial reporting level but is reported at the government-wide financial reporting level		
		(235,459)
The contributions of capital assets are reported on the government-wide statement of activity but not reported at the fund reporting level.		
Revenues of Internal Service Fund are included in the governmental statement of activities		24,068
Elimination of other financing sources to record net increase in payables associated with bond issuance		(2,407,272)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes		22,755
Charges for Services		6,918
Elimination of transfers between governmental funds:		
Transfers in	\$ (7,462,381)	
Transfers out	7,462,381	-
Interest expense reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		21,698
Repayment of general obligation debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
General obligation bonds	\$ 3,625,000	
Amortization of premiums and deferred charges	139,632	
Net pension obligation	(1,771,267)	
Landfill closure costs	(3,840)	1,989,525
Change In Net Position of Governmental Activities		\$ 11,583,657

See accompanying notes to the basic financial statements



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PROPRIETARY FUNDS

City of Ketchikan, Alaska
Statement of Net Position
Proprietary Funds
December 31, 2015

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Ketchikan Public Utilities	Ketchikan Port	Wastewater Service	Total	
Assets					
Current Assets:					
Cash and temporary investments	\$ 17,366,977	\$ 6,420,791	\$ 1,614,382	\$ 25,402,150	\$ 2,035,277
Restricted cash, cash equivalents and investments	1,163,963	824,743	54,520	2,043,226	-
Receivables:					
Accounts	3,141,671	-	165,164	3,306,835	-
Intergovernmental	879,146	408,450	-	1,287,596	-
Miscellaneous	-	-	-	-	33,171
Inventory	2,955,547	-	-	2,955,547	-
Prepaid items	14,897	1,113,090	-	1,127,987	614,719
Unbilled revenue	958,166	-	133,612	1,091,778	-
Total Current Assets	<u>26,480,367</u>	<u>8,767,074</u>	<u>1,967,678</u>	<u>37,215,119</u>	<u>2,683,167</u>
Noncurrent Assets:					
Restricted Assets:					
Investments	1,586,000	6,752,759	-	8,338,759	-
Accrued interest on restricted assets	2,796	4,990	-	7,786	-
Advances from other funds	-	2,700,000	-	2,700,000	600,000
Capital Assets:					
Nondepreciable capital assets	4,551,481	2,384,133	347,850	7,283,464	-
Depreciable capital assets, net	109,301,789	50,989,251	16,877,272	177,168,312	-
Total Noncurrent Assets	<u>115,442,066</u>	<u>62,831,133</u>	<u>17,225,122</u>	<u>195,498,321</u>	<u>600,000</u>
Total Assets	<u>141,922,433</u>	<u>71,598,207</u>	<u>19,192,800</u>	<u>232,713,440</u>	<u>3,283,167</u>
Deferred Outflow of Resources	<u>296,796</u>	<u>42,389</u>	<u>12,206</u>	<u>351,391</u>	<u>-</u>
Total Assets and Deferred Outflow of Resources	<u>142,219,229</u>	<u>71,640,596</u>	<u>19,205,006</u>	<u>233,064,831</u>	<u>3,283,167</u>

City of Ketchikan, Alaska
Statement of Net Position (Cont'd)
Proprietary Funds
December 31, 2015

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund	
	Ketchikan Public Utilities	Ketchikan Port	Wastewater Service		Total
Liabilities					
Current Liabilities:					
Accounts payable	2,739,026	75,900	62,367	2,877,293	16,171
Accrued interest	160,022	139,674	36,107	335,803	-
Customer deposits	370,940	-	-	370,940	-
Advances to other funds	276,857	-	-	276,857	-
Compensated absences payable	92,028	3,351	3,466	98,845	140,725
Unearned revenue	27,482	-	-	27,482	-
General obligation bonds payable	-	-	96,531	96,531	-
Revenue bonds payable	2,261,003	958,561	13,752	3,233,316	-
Claims payable	-	-	-	-	143,000
Total Current Liabilities	<u>5,927,358</u>	<u>1,177,486</u>	<u>212,223</u>	<u>7,317,067</u>	<u>299,896</u>
Long-Term Liabilities:					
Accrued interest	4,278	-	-	4,278	-
Compensated absences payable (net of current portion)	828,250	30,159	31,196	889,605	1,266,529
Net pension liability	2,753,822	449,932	124,574	3,328,328	-
Advances from other funds	3,456,934	-	-	3,456,934	-
Revenue bonds payable (net of current portion)	23,397,189	31,385,278	268,163	55,050,630	-
General obligation bonds payable (net of current portion)	-	-	1,875,495	1,875,495	-
Total Long-Term Liabilities	<u>30,440,473</u>	<u>31,865,369</u>	<u>2,299,428</u>	<u>64,605,270</u>	<u>1,266,529</u>
Deferred Inflow of Resources	<u>48,754</u>	<u>7,966</u>	<u>2,205</u>	<u>58,925</u>	
Total Liabilities and Deferred Inflow of Resources	<u>36,416,585</u>	<u>33,050,821</u>	<u>2,513,856</u>	<u>71,981,262</u>	<u>1,566,425</u>
Net Position					
Net investment in capital assets	88,231,003	21,029,545	14,971,181	124,231,729	-
Restricted for bond retirement	2,655,331	3,250,656	18,413	5,924,400	-
Restricted for repair and replacement	-	4,192,162	-	4,192,162	-
Unrestricted	14,916,310	10,117,412	1,701,556	26,735,278	1,716,742
Total Net Position	<u>\$ 105,802,644</u>	<u>\$ 38,589,775</u>	<u>\$ 16,691,150</u>	<u>\$ 161,083,569</u>	<u>\$ 1,716,742</u>

See accompanying notes to the basic financial statements



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City of Ketchikan, Alaska
Statement of Revenues, Expenses
and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2015

	Business-type Activities - Enterprise Funds			Total	Governmental Activities - Internal Service Fund
	Ketchikan Public Utilities	Ketchikan Port	Wastewater Service		
Operating Revenues					
Charges for services	\$ 37,043,159	\$ 9,032,271	\$ 2,757,661	\$ 48,833,091	\$ 2,473,886
Miscellaneous	399,210	-	16,591	415,801	24,066
Total Operating Revenues	<u>37,442,369</u>	<u>9,032,271</u>	<u>2,774,252</u>	<u>49,248,892</u>	<u>2,497,952</u>
Operating Expenses					
Operation and maintenance	24,026,833	4,636,079	2,038,753	30,701,665	-
Administration and general	5,875,484	-	-	5,875,484	-
Depreciation	8,053,750	1,589,941	452,045	10,095,736	-
Compensated absences	-	-	-	-	1,218,334
Insurance	-	-	-	-	1,224,369
Claims	-	-	-	-	31,183
Total Operating Expenses	<u>37,956,067</u>	<u>6,226,020</u>	<u>2,490,798</u>	<u>46,672,885</u>	<u>2,473,886</u>
Operating Income (Loss)	<u>(513,698)</u>	<u>2,806,251</u>	<u>283,454</u>	<u>2,576,007</u>	<u>24,066</u>
Non-Operating Revenues (Expenses)					
Operating grants	537,986	70,425	21,793	630,204	-
Interest and fiscal charges	(914,305)	(1,658,179)	(49,923)	(2,622,407)	-
Gain or (loss) on disposal of capital assets	-	(27,082)	(142,395)	(169,477)	-
Investment earnings	6,780	87,016	170	93,966	-
Total Non-Operating Revenues (Expenses)	<u>(369,539)</u>	<u>(1,527,820)</u>	<u>(170,355)</u>	<u>(2,067,714)</u>	<u>-</u>
Income (Loss) Before Capital Contributions, Grants and Transfers	<u>(883,237)</u>	<u>1,278,431</u>	<u>113,099</u>	<u>508,293</u>	<u>24,066</u>
Total Contributions and Capital Grants	<u>948,582</u>	<u>277,647</u>	<u>170,771</u>	<u>1,397,000</u>	<u>-</u>
Net Income before Transfers	<u>65,345</u>	<u>1,556,078</u>	<u>283,870</u>	<u>1,905,293</u>	<u>-</u>
Transfers Out					
Payments in lieu of taxes	(786,000)	(319,000)	(80,000)	(1,185,000)	-
Transfer to commercial passenger vessel tax fund	-	(1,619,258)	-	(1,619,258)	-
Total Transfers Out	<u>(786,000)</u>	<u>(1,938,258)</u>	<u>(80,000)</u>	<u>(2,804,258)</u>	<u>-</u>
Change in Net Position	<u>(720,655)</u>	<u>(382,180)</u>	<u>203,870</u>	<u>(898,965)</u>	<u>24,066</u>
Net Position Beginning of Year, Restated	<u>106,523,299</u>	<u>38,971,955</u>	<u>16,487,280</u>	<u>161,982,534</u>	<u>1,692,676</u>
Net Position End of Year	<u>\$ 105,802,644</u>	<u>\$ 38,589,775</u>	<u>\$ 16,691,150</u>	<u>\$ 161,083,569</u>	<u>\$ 1,716,742</u>

See accompanying notes to the basic financial statements

City of Ketchikan, Alaska
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2015

	Business-type Activities - Enterprise Funds			Total	Governmental Activities - Internal Service Fund
	Ketchikan Public Utilities	Ketchikan Port	Wastewater Service		
Cash Flows from Operating Activities					
Cash received from customers and users	\$ 36,327,362	\$ 8,877,459	\$ 2,745,647	\$ 47,950,468	\$ 2,497,952
Cash payments to employees for services	(12,751,297)	(936,608)	(803,212)	(14,491,117)	-
Cash payments to suppliers for goods and services	(15,897,513)	(3,700,936)	(1,194,160)	(20,792,609)	-
Cash payments for insurance and claims	-	-	-	-	(1,356,720)
Cash payments for compensated absences	-	-	-	-	(1,138,370)
Net Cash Provided by Operating Activities	<u>7,678,552</u>	<u>4,239,915</u>	<u>748,275</u>	<u>12,666,742</u>	<u>2,862</u>
Cash Flows from Noncapital Financing Activities					
Operating grant from other governments	537,986	70,425	21,793	630,204	-
Transfers out	-	(1,619,258)	-	(1,619,258)	-
Payment in lieu of taxes to the general fund	(786,000)	(319,000)	(80,000)	(1,185,000)	-
Net Cash Used by Noncapital Financing Activities	<u>(248,014)</u>	<u>(1,867,833)</u>	<u>(58,207)</u>	<u>(2,174,054)</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities					
Advances	(266,209)	-	-	(266,209)	-
Capital grant received from other governments	4,095,731	119,341	810,011	5,025,083	-
Capital debt proceeds	(711,949)	-	-	(711,949)	-
Loss on disposition of capital assets	-	27,082	142,395	169,477	-
Principal paid on general obligation bonds	-	-	(739,944)	(739,944)	-
Interest paid on general obligation bonds	-	-	(20,813)	(20,813)	-
Principal paid on revenue bonds	(2,044,901)	(885,000)	(13,548)	(2,943,449)	-
Interest paid on revenue bonds	(1,140,484)	(1,691,087)	(4,381)	(2,835,952)	-
Payments for capital acquisitions and construction	(7,015,707)	(362,529)	(211,490)	(7,589,726)	-
Net Cash Used by Capital and Related Financing Activities	<u>(7,083,519)</u>	<u>(2,792,193)</u>	<u>(37,770)</u>	<u>(9,913,482)</u>	<u>-</u>
Cash Flows from Investing Activities					
Investment earnings	5,383	191,710	170	197,263	24,000
Proceeds from bond reserve fund investments	92,041	32,189	-	124,230	-
Purchase of bond reserve fund investments	-	(527,551)	-	(527,551)	-
Net Cash Provided (Used) by Investing Activities	<u>97,424</u>	<u>(303,652)</u>	<u>170</u>	<u>(206,058)</u>	<u>24,000</u>
Net Increase (Decrease) in Cash and Cash Equivalents	444,443	(723,763)	652,468	373,148	26,862
Cash and Cash Equivalents Beginning of Year (including \$1,308,419 for Ketchikan Public Utilities \$845,762 for Port and \$17,992 for Wastewater Services reported in restricted accounts)	<u>18,086,497</u>	<u>7,969,297</u>	<u>1,016,434</u>	<u>27,072,228</u>	<u>2,008,415</u>
Cash and Cash Equivalents End of Year (including \$1,163,963 for Ketchikan Public Utilities, \$824,723 for Port and \$54,520 for Wastewater Services reported in restricted accounts)	<u>\$ 18,530,940</u>	<u>\$ 7,245,534</u>	<u>\$ 1,668,902</u>	<u>\$ 27,445,376</u>	<u>\$ 2,035,277</u>

(continued)

City of Ketchikan, Alaska
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2015

(continued)

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Ketchikan Public Utilities	Ketchikan Port	Wastewater Service	Total	
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	\$ (513,698)	\$ 2,806,251	\$ 283,454	\$ 2,576,007	\$ 24,066
Adjustments:					
Depreciation	8,053,750	1,589,941	452,045	10,095,736	-
Other	328,215	-	-	328,215	-
(Increase) Decrease in Assets:					
Accounts receivable	(1,018,265)	(154,812)	(17,878)	(1,190,955)	(33,171)
Unbilled revenue	(69,914)	-	(10,726)	(80,640)	-
Prepaid expenses	2,268	(91,744)	-	(89,476)	31,230
Inventory	56,822	-	-	56,822	-
Customer deposits	7,432	-	-	7,432	-
Increase (Decrease) in Liabilities:					
Accounts payable	280,030	16,474	22,336	318,840	(99,227)
Accrued expenses	-	-	-	-	-
Compensated absences payable	141,951	2,207	(309)	143,849	79,964
Pension liability	436,789	71,598	19,353	527,740	-
Unearned revenue	(26,828)	-	-	(26,828)	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 7,678,552</u>	<u>\$ 4,239,915</u>	<u>\$ 748,275</u>	<u>\$ 12,666,742</u>	<u>\$ 2,862</u>
Noncash investing, capital and financing activities					
Fair value of non-cash investments	\$ -	\$ 60,314			
Revenue bond arbitrage	\$ 1,400				

See accompanying notes to the basic financial statements



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NOTES TO THE BASIC
FINANCIAL STATEMENTS

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Note 1 – Summary of Significant Accounting Policies

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) applicable to government entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. A summary of the City of Ketchikan's significant accounting policies applied in the preparation of these financial statements follows.

1-A. Reporting Entity

The City of Ketchikan, Alaska (the "City") is a home rule municipality operating under the powers granted by the constitution and laws of the State of Alaska. The City operates under a Council-Manager form of government and provides a variety of municipal services including general administration; police; fire; library; museum; health; public works; cemetery; port and harbors; solid waste collection and disposal; wastewater collection and treatment; and electric, telecommunications and water utilities.

As required by U.S. GAAP, these financial statements present the City (primary government) and its component units. The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organizations; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the City in that the City approves the budget, levies their taxes or issues their debt. Based upon this criterion, the reporting entity is limited to the City and no component units are included.

1-B. Government-Wide and Fund Financial Statements

The government-wide statements, which include the statement of net position and statement of activities report information on all the activities of the primary government and its component units. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which are generally supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from business-type activities, which rely generally on fees and charges to external parties.

The statement of net position reports all of the City's assets and liabilities, with the difference between the two presented as net position.

The statement of activities demonstrates the extent to which the direct expenses of a given function or business-type activity is offset by program revenues. Direct expenses are clearly identifiable with a specific function. The City does not allocate indirect expenses to functions in the statement of activities. Program revenues include: (1) charges to customers who purchase, use or directly benefit from goods and services provided by the programs, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported a general revenues.

Separate fund financial statements are provided for governmental and proprietary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each reported as a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

1-C. Measurement Focus, Basis of Accounting and Statement Presentation

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as are the proprietary funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. On the accrual basis, property taxes are recognized as

Note 1 - Summary of Significant Accounting Policies (Continued)

revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental funds are reported using current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they are measurable and available. Available means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period or when matured. The City considers most revenue as available if collected within 60 days after year end. Property taxes, sales taxes, and transient occupancy taxes, interest income, grant revenue and charges for services are susceptible to accrual. Sales tax revenue is considered available if it is collected within 30 days. Fines, licenses, permits and other receipts become measurable and available when cash is received by the City and are recognized as revenue at the time. Grant revenue is considered available if it is expected to be collected within one year and all eligibility requirements are met. Expenditures are recorded when the related liability is incurred except for debt service expenditures, which are recognized when the payment is due.

The City reports the following major funds:

General Fund – The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund's fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of the State of Alaska.

Hospital Construction Fund – The hospital construction fund accounts for all financial resources related to construction of improvements to the Ketchikan Medical Center.

The City reports the following proprietary funds:

Ketchikan Public Utilities Fund – This fund provides electric and telecommunication utility services to most residents of the Ketchikan Gateway Borough, which includes the City, and water utility services to the residents of the City.

Ketchikan Port Fund – This fund accounts for the operation and maintenance of the port facilities that are owned or operated by the City.

Wastewater Services Fund – This fund accounts for the collection, treatment and disposal of wastewater within the City.

Additionally, the City reports the following fund types:

Internal Service Funds – The internal service funds provide services to other funds on a cost-reimbursement basis. These services include paying the costs of compensated absences for the City's employees and to pay for claims not covered by the City's insurance plans. The City's two internal services funds are the compensated absences fund and the self-insurance fund.

The effect of interfund activity generally has been eliminated from the government-wide financial statements. Exceptions to this practice include payments and other charges between the City's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions affected.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise and internal service funds are charges to customers for services. Operating expenses for enterprise and internal services funds include administrative expenses, cost of services, and depreciation of capital assets. All revenues and expense not meeting this definition are reported as non-operating revenue and expenses.

When both restricted and unrestricted resources are available for use, the City uses the restricted resources first, then unrestricted resources as needed.

Note 1 - Summary of Significant Accounting Policies (Continued)

1-D. Assets, Liabilities and Net Position and Fund Balances

1-D-1 Cash, Cash Equivalents, and Investments

A central treasury is used to account for all cash and investments, except for restricted bond redemption, bond reserve, and bond construction cash and investments; and capital improvement fund investments.

Investments are recorded at fair value, which is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The exceptions are the City's nonparticipating contracts, and certificates of deposit, which are valued at cost. Investment revenue on cash pool investments is allocated to the various funds based on their month-end cash pool equity balances.

For purposes of the statement of cash flows, the City has defined cash and cash equivalents as the demand deposits and all investments maintained in the cash management pool, regardless of maturity period, since the various funds use the cash management pool essentially as a demand deposit account.

The City is authorized to invest in obligations of, or obligations issued or guaranteed by, the US Treasury, agencies or instrumentalities, negotiable certificates of deposit issued by rated banks, and certificates of deposit issued by banks located within the State of Alaska or issued by a rated bank. The City is also authorized to enter into repurchase agreements secured by obligations insured and guaranteed by US Treasury, agencies, or instrumentalities.

City bond ordinances require that funds in revenue bond reserve and redemption accounts be either deposited in demand deposits or invested in direct US Government obligations. The City policy requires that all certificates of deposits be collateralized to a level of 100 percent with federal, state or municipal obligations.

1-D-2 Receivables

All trade and property tax receivables are reported net of an allowance for uncollectibles, where applicable. Unbilled utility charges are accrued as receivables and revenue.

1-D-3 Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/interfund payables." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not expendable available financial resources and therefore are not available for appropriation.

The above amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances.

1-D-4 Consumable Inventories

Inventories included in the Ketchikan Public Utilities Fund are valued at cost, which approximates market, using average cost method. The cost of governmental fund-type inventories is recorded as expenditures when consumed, using the FIFO method.

1-D-5 Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2015 are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reserved as this amount is not available for appropriation.

Note 1 - Summary of Significant Accounting Policies (Continued)

1-D-6 Restricted Assets

Certain cash and investments are restricted for the payment of revenue bond debt service and construction costs.

The Revenue Bond Redemption Fund and Revenue Bond Reserve Fund have been established in accordance with the provisions of the revenue bond indentures. These funds can only be used for the payment of principal and interest on revenue bonds outstanding and must be maintained in accordance with the provisions of the applicable revenue bond ordinances. As of December 31, 2015 the balance on hand in the KPU Revenue Bond Redemption Fund amounted to \$1,163,963, which was the required amount per applicable bond ordinances. The KPU Revenue Bond Reserve Fund contained 1,586,000, which was the required amount per applicable bond ordinances. The Port Revenue Bond Redemption Fund amounted to \$824,743, which was \$218 more than required. The Port Revenue Bond Reserve Fund contained \$2,560,597, which was \$14,288 less than required by applicable bond ordinances due to fair value adjustments. The Wastewater Service Fund contained \$54,520 in the Bond Redemption Fund.

The KPU Bond Construction Fund, the Harbor Construction Fund and the Hospital Construction Fund have been established in accordance with the provisions of the bond indentures. These funds can only be used for the payment of costs incurred in the construction of the Whitman Hydroelectric project, improvements to Harbor facilities and the Ketchikan Medical Center addition, respectively. The total amount available as of December 31, 2015 is \$75,892 in Harbor Construction Fund and \$18,104,001 in the Hospital Construction Fund. The City also has bond construction funds remaining from the Library Facility bond issue in the amount of \$194,316.

The Repair and Replacement Fund has been established in the Port Fund pursuant to the covenants of the Port Revenue Bonds, Series 2006 and the provisions of the long-term lease agreement for Berth IV. As of December 31, 2015 the amount required to satisfy the bond covenants and lease agreement was \$3,123,782 for the revenue bonds and \$1,068,380 for the long-term lease for a total of \$4,192,162.

The City received Commercial Passenger Vessel Excise Tax Funds from the State of Alaska. These funds are restricted for purposes established by the State. The City currently has \$1,437,784 in the Major Capital Improvements Fund and \$863,762 in the Harbor Improvements Fund to be spent in accordance with state statutes.

The City is holding funds related to police investigations as restricted assets. These funds total \$137,151. In addition to this the City also receives funds confiscated as a result of Ketchikan police investigations. These funds total \$185,639.

1-D-7 Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The City reports these assets in the governmental activities column of the government-wide statement of net position but does not report these assets in the government fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide statement of net position and in the enterprise funds' statement of net position.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. Generally, the City maintains a capitalization threshold of five thousand dollars. However, the Telecommunications Division of the KPU Enterprise Fund follows the Federal Communications Commission's (FCC) capitalization rules which requires a lower capitalization limit for certain assets. The City's infrastructure consists of roads, bridges, sidewalks, storm drains, docks, and parking facilities. Improvements to capital assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets utilized by the enterprise fund is capitalized.

Note 1 - Summary of Significant Accounting Policies (Continued)

All reported capital assets are depreciated except for land, right-of-ways and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City’s historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Asset Class	Estimated Lives	
	Governmental Activities	Business-type Activities
Land improvements	15-25 Years	---
Buildings and components	10-100 Years	20-60 Years
Machinery and equipment	3-25 Years	3-15 Years
Infrastructure	10-100 Years	30-85 Years
Dams, roads, bridges, docks, structures, water mains, and generators	30-40 Years	20-60 Years
Electric, telecommunications and water services, overhead and underground facilities, hydrants, fuel holders, poles and fixtures, meters and transformers	---	12-30 Years

At the inception of capital leases at the governmental fund reporting level, expenditures and an “other financing source” of an equal amount are reported at the net present value of future minimum lease payments.

1-D-8 Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the City’s past experience of making termination payments.

The total compensated absence liability is reported on the government-wide financial statements. Proprietary funds report the total compensated liability in each individual fund at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level only “when due.”

1-D-9 Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the these funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are “due for payment” during the current year. Bonds and capital leases are recognized as a liability in the governmental fund financial statements when due.

1-D-10 Bond Premiums and Discounts, Debt Issuance Costs and Refunding Gains and Losses

On the government-wide statement of net position and the proprietary fund type statement of net position, bond premiums and discounts are netted against bonds payable. On the government-wide and proprietary fund type statements of activities, bond premiums and discounts are deferred and amortized over the life of the bond using the straight-line method.

Note 1 - Summary of Significant Accounting Policies (Continued)

Debt refunding gains and losses are reported as deferred inflows or outflows of resources on the statements of net position. These gains and losses are deferred and amortized over the shorter of the life of the refunding debt and the refunded debt.

Bond issuance costs are recognized as an outflow of resources in the reporting period they occur.

At the governmental fund reporting level, bond premiums and discounts are reported as other financing sources and uses, separately from the face amount of the bonds issued. Bond issuance costs are reported as debt service expenditures.

1-D-11 Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

Fund Balance – Generally, fund balance represents the difference between the current assets and current liabilities. The City classifies its fund balance at the fund statement level based on one or more of the following categories:

Non-spendable – Fund balances that are classified as non-spendable includes amounts that cannot be spent because they are not in spendable form or not expected to be converted to cash.

Restricted – Fund balances that are classified as restricted includes amounts that have externally imposed restrictions on the use of the resources, such as creditors, grantors, laws or regulations of other governments.

Committed – Fund balances that are classified as committed includes amounts that can only be used for a specific purpose pursuant to constraints imposed by City Council’s formal action to establish and rescind committed funds is through passage of a motion, the highest level of decision-making authority in the City.

Assigned – Fund balances that are classified as assigned includes amounts that are constrained by the City’s intent to use the funds for a specific purpose, such as the subsequent years budget, encumbrances and special revenue fund balances that are not already classified as non-spendable, restricted or committed. The City Council and City Manager have the authority to take action provided in the Ketchikan Municipal Code or the City’s Charter that would cause the City to classify fund balances as assigned.

Unassigned – Fund balance that is classified as unassigned is the residual balance not already classified as non-spendable, restricted, committed or assigned in the general fund.

When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and lastly, unassigned fund balance.

Net Position - Net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net position amount also is adjusted by any bond issuance deferral amounts. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position amounts are reported as unrestricted.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

1-D-12 Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for wastewater, port, electricity, telecommunications and water. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of each fund. Any revenue and expense not meeting this definition is reported as non-operating revenue and expense.

Note 1 - Summary of Significant Accounting Policies (Continued)

1-D-13 Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

1-D-14 Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements (i.e., they are netted).

Transfers between governmental and business-type activities on the government-wide statement of activities are reported as general revenues. Transfers between funds reported in the governmental activities column are eliminated. Transfers between funds reported in the business type activities column are eliminated.

1-D-15 Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

1-D-16 Deferred Outflows/Inflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to future periods that will not be recognized as an outflow of resources, or expense/expenditures, until then. Deferred inflows of resources represents an acquisition of net position that applies to future periods that will not be recognized as an inflow of resources, or revenues, until then.

Note 2 – Change in Accounting Principles and Estimates

2-A. Implementation of GASB Statement No. 68

In 2015, the City implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. These statements require the city to measure and record deferred inflows of resources, deferred outflows of resources and net pension liability of employer and non-employer contributing entities to employees for defined benefit pensions. As a result of this implementation the cumulative effect on beginning net position is restated as follows:

Proprietary Fund Restatement of Net Position

	Ketchikan Public Utilities Fund	Port Fund	Wastewater Services Fund	Total
Net position as of 1/1/2015	\$ 108,628,215	\$ 39,315,866	\$ 16,582,500	\$ 164,526,581
Deferred outflow of resources	89,181	14,571	4,034	107,786
Net pension liability	(2,194,097)	(358,482)	(99,254)	(2,651,833)
Net position restated as of 1/1/2015	<u>\$ 106,523,299</u>	<u>\$ 38,971,955</u>	<u>\$ 16,487,280</u>	<u>\$ 161,982,534</u>

Note 2 – Change in Accounting Principles and Estimates (Continued)

Government-wide Restatement of Net Position

	Governmental Activities	Business- type Activities	Total
Net position as of 1/1/2015	\$ 172,077,600	\$ 164,526,581	\$ 336,604,181
Deferred outflow of resources	366,836	107,786	474,622
Net pension liability	(9,025,108)	(2,651,833)	(11,676,941)
Net position restated as of 1/1/2015	<u>\$ 163,419,328</u>	<u>\$ 161,982,534</u>	<u>\$ 325,401,862</u>

Additional information regarding the effect of GASB 68 and GASB 71 are included in note 4-J.

Note 3 – Stewardship, Compliance and Accountability

3-A. Budgetary Information

The City adopts an annual operating budget for the general fund, each of its special revenue funds, capital projects funds, debt service funds, enterprise funds and internal service funds. The budget resolution reflects the total of each department’s appropriation in each fund. The budgets for the enterprise and internal service funds are adopted for management purposes and are not reported in these financial statements.

The budgets are adopted on a basis consistent with GAAP except that outstanding encumbrances are reported as expenditures on the budgetary basis. For budgetary reporting purposes, advances are classified as revenues and transfers are classified as expenditures.

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget generally is the department level within each individual fund.

The City Council may transfer unencumbered appropriation balances from any item of appropriation to any other item of appropriation. Council authorization is required to transfer appropriations from one department to another and from appropriated reserves. The total of expenditures and outstanding encumbrances for any department cannot exceed the amount legally appropriated for that department with the adoption of the annual budget, unless otherwise amended by the City Council.

On December 18, 2014, the 2015 General Government Operating and Capital Budget and the 2015 Ketchikan Public Utilities Operating and Capital Budget were adopted by the City Council with the passage of Resolution 14-2572 and Resolution 14-2573, respectively. During the year, the 2015 General Government Operating and Capital Budget was amended to provide for supplemental appropriations as follows:

- Acceptance of a grant for the fire department in the amount of \$5,625.
- Acceptance of a contribution for the police department in the amount of \$1,738.
- Acceptance of a capital contribution for the health and welfare department in the amount of \$1,885,807.
- Acceptance of a grant for the library department in the amount of \$6,650.
- Acceptance of a grant for the library department in the amount of \$400.
- Acceptance of a grant for the library department in the amount of \$2,000.
- Acceptance of a private contribution for the museum department in the amount of \$925.
- Acceptance of a grant for the streets department in the amount of \$141,810.
- Acceptance of a grant for the tourism and economic development department in the amount of \$248,239.
- Acceptance of a private contribution for the tourism and economic development department in the amount of \$9,991.
- Issuance of bonds for the harbor department in the amount of \$177,191.
- Increase appropriations for the port department in the amount of \$45,000.

Note 3 – Stewardship, Compliance and Accountability (Continued)

During the year, the 2015 Ketchikan Public Utilities Capital Budget was amended as follows:

- Issuance of bonds for the water department in the amount of \$618,000 and \$1,136,995.

In addition, transfers of funds between budget accounts, within departments, which did not increase appropriations, were made for both General Government and Ketchikan Public Utilities. The effects of these transfers were not significant in relation to the budgets taken as a whole.

All unencumbered appropriations lapse at the end of each fiscal year, but encumbered appropriation balances carry forward automatically and may be expended after year-end. All unencumbered, unexpended annual appropriations lapse at year-end. Payments made against prior year purchase orders result in current year expenditures being increased and current year encumbrance balances being reduced so that these payments do not reduce current year appropriations. Under this system, prior year encumbrances, on which payments have been made, are netted with current year encumbrances. This sometimes results in negative encumbrance balances appearing on budgetary statements.

3-B. Fund Deficit

The City has a fund deficit in a special revenue fund used to account for commercial passenger vessel tax revenues received from the State of Alaska. The deficit of \$101,672 is expected to be relieved within one year.

Note 4 - Detailed Notes on All Funds

4-A. Deposits and Investments

Cash and investments for the City are comprised of governmental and business-type activities. The balances at December 31, 2015 were:

Cash on hand	\$	9,770
Deposits with financial institutions		58,565,912
Investments		31,762,339
Total		<u>\$ 90,338,021</u>

Cash and investments for the City include both governmental and business-type activities as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Unrestricted	\$ 33,555,341	\$ 25,402,150	\$ 58,957,491
Restricted	20,998,545	10,381,985	31,380,530
Total	<u>\$ 54,553,886</u>	<u>\$ 35,784,135</u>	<u>\$ 90,338,021</u>

The restricted cash and investments are comprised entirely of \$2,749,963, \$54,520 and \$3,385,340 for bond reserve accounts established for the City’s municipal utility, wastewater services and port revenue bonds, respectively, \$18,374,208 for bond construction accounts, \$4,192,162 for the Port repair and replacement accounts, \$2,301,546 for commercial passenger excise tax fund accounts and \$322,790 for public safety confiscated funds.

Deposits

Custodial credit risk-deposits. This is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City’s deposit policy is in accordance with guidelines established by the City Charter, the City Council and its bond ordinances. All deposits were covered by federal depository insurance up to \$250,000 and collateralized with eligible securities in amounts equal at least 100 percent of the book value of deposits. As of December 31, 2015, the book value of all the City deposits was \$58,565,912. All collateral securities were held by third parties in the City’s name, and consequently were not exposed to custodial credit risk.

Note 4 - Detailed Notes on All Funds (Continued)

Investments. All investment pool cash purchases and sales are part of the City’s cash management activity and considered cash and cash equivalents. Interest earned from the pooled investments is allocated to each fund based on average earnings rate and monthly cash balance of each fund. The City has recorded investments at fair value. The City’s investment policy is in accordance with guidelines established by the City Charter, the City Council and its bond ordinances.

The following investments are permitted under the City’s investment policy:

- United States Treasury Debt Obligations
- United States Agency Debt Obligations
- Alaska Municipal Debt Obligations
- Repurchase Agreements Secured by U.S. Treasury and Agency Debt Obligations

Interest rate risk. As of December 31, 2015, the weighted average maturity of the City’s investment portfolio was 3.82 years. To minimize interest rate risk, the City’s investment policy limits the portfolio to a maximum weighted average of maturity of 46 months. With the exception of bond reserve accounts, all other funds must be invested in less than two-year maturities and must meet the City’s cash flow requirements.

Credit risk. Most of the City’s investments are direct obligations of the U. S. government and are not considered to have credit risk. As of December 31, 2015, the City had investments in money market funds totaling \$28,806,841. The money market funds were invested primarily in U.S. Treasury and Agency obligations.

Concentration of credit risk. Of the City’s total investments as of December 31, 2015, 9 percent were invested in direct obligations of the U. S. Government. All other investments not explicitly guaranteed by the U.S. Government were less than 91 percent of the City’s total investments.

Custodial credit risk. This is the risk that, in the event of the failure of a counterparty, the City would not be able to recover the value of its investments or collateral securities that are in possession of an outside party. At December 31, 2015, the City had no investments that were held by either a counterparty or a counterparty’s trust department or agent. The City did have funds on deposit with Bank of New York Mellon in the amount of \$1,760,946 of which \$260,946 were uncollateralized.

As of December 31, 2015, the City had the following investments and maturities:

Investment Type	Fair Value	Non Maturity Rated	Investment Maturity (in years)			Average Maturity (Years)
			Less Than 1	1 - 5	6 - 10	
US Treasury Notes	\$ 2,955,498	\$ -	\$ 410,296	\$ 2,545,202	\$ -	3.82
Cash in Mutual Funds	28,806,841	28,806,841	-	-	-	0
	<u>\$ 31,762,339</u>	<u>\$ 28,806,841</u>	<u>\$ 410,296</u>	<u>\$ 2,545,202</u>	<u>\$ -</u>	

Portfolio weighted average maturity 3.82

4-B. Receivables

Receivables at December 31, 2015, consisted of taxes, interest, accounts (billings for user charges, including unbilled utility receivables), and intergovernmental receivables arising from grants.

Receivables are recorded on the City’s financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectability. Receivables for the year ended December 31, 2015, consisted of the following:

Note 4 - Detailed Notes on All Funds (Continued)

	Governmental Activities	Business- type Activities	Total
Accounts receivable	\$ 5,089,367	\$ 5,764,209	\$ 10,853,576
Allowance for doubtful accounts	(108,000)	(78,000)	(186,000)
Net accounts receivable	<u>\$ 4,981,367</u>	<u>\$ 5,686,209</u>	<u>\$ 10,667,576</u>

4-C. Property Taxes

Under Alaska Statutes, boroughs are required to bill and collect property taxes for cities located within its boundaries. The Ketchikan Gateway Borough performs these functions for the City. The City must set the rate of levy by June 15 of each year. Property taxes are levied on July 1 and are based on the assessed valuation of real and personal property as of January 1. Property taxes are due and payable immediately upon levy and become delinquent if not paid on or before September 30 of the year in which they are levied. The lien date is October 1. Foreclosure proceedings are initiated by the Ketchikan Gateway Borough the following January on properties for which property taxes has not been paid by December 31. Upon the issuance of a judgment by the court, properties with delinquent taxes are transferred to the Borough and held for at least one year in order to permit the property owner with an option to redeem the property. At the end of the redemption period, all unredeemed property located within the City is deeded to the City by the court subject to the payment by the City of all unpaid borough taxes and the costs of foreclosure levied against the property.

4-D. Leases

4-D-1 Operating Leases

The City is a lessor in a number of operating leases as follows:

In 1988, the City entered into an agreement with the United States of America, Forest Service to lease City owned land for 50 years for a Southeast Alaska visitor's information center. The terms of the lease agreement require annual lease payments of \$1 per year.

In 1981, the City entered into an agreement with Peace Health to lease the City owned hospital for 10 years. The terms of the lease require annual payments of \$1 per year. In 1992, 2003 and 2013, the agreement was amended to provide for 10-year extensions.

In 2000, the City entered into an agreement with the State of Alaska to lease City owned land for the Ketchikan Youth Detention and Treatment Facility for a period of 55 years and at a total cost of \$550.

In 2004, the State of Alaska transferred, at no cost, to the City of Ketchikan thirteen tidelands leases. The following is a schedule of investment in property held for lease and the minimum future rentals as of December 31, 2015:

	Schedule of Investment in Property Held For Lease
Tidelands	\$ 941,500
Total	<u>941,500</u>
Less: Accumulated Depreciation	<u>-</u>
Net Investment	<u>\$ 941,500</u>

Note 4 - Detailed Notes on All Funds (Continued)

<u>Years Ending December 31</u>	<u>Amount</u>
2016	\$ 51,339
2017	41,539
2018	41,538
2019	41,539
2020	41,538
2021-2025	191,580
2026-2030	163,786
2031-2040	160,823
2036-2040	74,525
2041-2045	70,160
2046-2050	67,250
2051-2055	30,000
2056-2060	30,000
2061-2063	18,000
Total minimum future lease rentals	<u>\$ 1,023,617</u>

Nine of the leases have a scheduled rate change after 25 years and then every 10 years thereafter, three of the leases have a scheduled rate change in the sixth year and every five years thereafter and one lease has no future rate changes at the date of transfer from the State. The expiration of the lease with the shortest remaining term expires in 2016 while the lease with the longest remaining term expires in 2063.

The City is a lessee in the following operating lease:

The City is under contract to lease a panamax class cruise ship berth and adjacent ground transportation areas, which will be used in its port operations, under a 30-year non-cancelable operating lease. The lease agreement includes two ten-year options to renew.

The future minimum lease payments for this lease are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2016	\$ 1,800,000
2017	1,800,000
2018	1,800,000
2019	1,800,000
2020	1,800,000
2021-2025	9,000,000
2026-2030	9,000,000
2031-2035	9,000,000
2036-2037	3,600,000
Total future minimum lease payments	<u>\$ 39,600,000</u>

The future minimum lease payments do not include contingent lease payments that will be paid if the number of cruise ship passengers paying the City's passenger wharfage fee exceeds 820,000 passengers. Various formulas are used to determine the contingent lease payments and all are dependent on passenger volume. Contingent lease payments will be decreased if passenger volume decreases. In 2015, the City paid the minimum lease of \$1,800,000 plus a contingent lease payment of \$547,254 for a total of \$2,347,254

Note 4 - Detailed Notes on All Funds (Continued)

4-E. Capital Assets

Capital asset activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Nondepreciable capital assets				
Land	\$ 28,904,498	\$ -	\$ -	\$ 28,904,498
Easements	588,168			588,168
Construction in progress	17,112,926	35,919,620	3,370,922	49,661,624
Other capital assets	100,750	-	-	100,750
Total nondepreciable capital assets	46,706,342	35,919,620	3,370,922	79,255,040
Depreciable capital assets:				
Land improvements	1,554,203	-	-	1,554,203
Buildings	74,818,110	1,148,597	125,872	75,840,835
Machinery and equipment	15,502,452	1,704,425	862,184	16,344,693
Infrastructure	71,076,760	6,188,886	514,462	76,751,184
Software	624,705	380,285	423,459	581,531
Total depreciable capital assets	163,576,230	9,422,193	1,925,977	171,072,446
Total capital assets	210,282,572	45,341,813	5,296,899	250,327,486
Accumulated depreciation:				
Land improvements	1,290,010	51,920	-	1,341,930
Buildings	19,188,482	1,291,360	125,872	20,353,970
Machinery and equipment	9,056,870	972,669	720,324	9,309,215
Infrastructure	22,869,973	2,147,741	476,708	24,541,006
Software	525,524	51,119	367,614	209,029
Total accumulated depreciation	52,930,859	4,514,809	1,690,518	55,755,150
Governmental activities capital assets, net	\$ 157,351,713	\$ 40,827,004	\$ 3,606,381	\$ 194,572,336

Governmental activities depreciation expense

General government	\$ 84,046
Public safety	724,639
Public works	1,870,906
Health and welfare	581,941
Harbor	1,005,705
Culture	247,572
Total governmental activities depreciation expense	<u>\$ 4,514,809</u>

Note 4 - Detailed Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Nondepreciable capital assets:				
Land	\$ 4,498,606	\$ -	\$ -	\$ 4,498,606
Other capital assets	306,502	-	84,736	221,766
Construction in progress	4,302,650	1,435,118	3,174,676	2,563,092
Total non-depreciable capital assets	9,107,758	1,435,118	3,259,412	7,283,464
Depreciable capital assets:				
Electric utility plant	121,601,098	2,279,823	817,948	123,062,973
Telecommunications utility plant	60,245,437	5,525,801	320,087	65,451,151
Water utility plant	53,012,721	61,430	83,194	52,990,957
Wastewater utility plant	24,648,869	33,444	22,976	24,659,337
Port facilities	66,593,985	42,388	23,713	66,612,660
Total depreciable capital assets	326,102,110	7,942,886	1,267,918	332,777,078
Total capital assets	335,209,868	9,378,004	4,527,330	340,060,542
Accumulated depreciation:				
Electric utility plant	64,114,148	3,162,371	817,948	66,458,571
Telecommunications utility plant	45,473,460	3,568,792	320,088	48,722,164
Water utility plant	15,779,925	1,322,587	79,954	17,022,558
Wastewater utility plant	7,352,995	452,045	22,976	7,782,064
Port facilities	14,057,181	1,589,941	23,713	15,623,409
Total accumulated depreciation	146,777,709	10,095,736	1,264,679	155,608,766
Business-type activities capital assets, net	\$ 188,432,159	\$ (717,732)	\$ 3,262,651	\$ 184,451,776

4-F. Commitments

The City has the following commitments as of December 31, 2015:

	Operational	Capital	Total
Governmental Funds			
General	\$ 291,390	\$ 504,396	\$ 795,786
Hospital construction fund	-	11,223,003	11,223,003
Non-major special revenue funds	30,744	65,951	96,695
Non-major capital projects funds	-	4,615,649	4,615,649
Total Governmental Funds	\$ 322,134	\$ 16,408,999	\$ 16,731,133
Enterprise Funds			
KPU	\$ 1,005,171	\$ 2,198,051	\$ 3,203,222
Port	10,980	762,743	773,723
Wastewater	25,975	63,958	89,933
Total Enterprise Funds	\$ 1,042,126	\$ 3,024,752	\$ 4,066,878

Note 4 - Detailed Notes on All Funds (Continued)

4-G. Interfund Balances and Transfers

Interfund balances at December 31, 2015, consisted of the \$365,043 for governmental activities and represents reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting period, and (3) payments between funds are made. The City expects to repay all interfund balances within one year except where noted.

Interfund transfers for the year ended December 31, 2015, consisted of the following:

Transfers from	Transfers to:		
	General fund	Nonmajor governmental funds	Total
General fund	\$ -	\$ 3,064,163	\$ 3,064,163
KPU Fund	786,000	-	786,000
Port Fund	319,000	1,619,258	1,938,258
Wastewater Fund	80,000	-	80,000
Nonmajor governmental funds	381,830	4,016,388	4,398,218
Total	<u>\$ 1,566,830</u>	<u>\$ 8,699,809</u>	<u>\$ 10,266,639</u>

Transfers are used to report revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; to return money to the fund from which it was originally provided once a project is completed; and for payments in lieu of taxes.

4-H. Landfill Closure and Postclosure Care

State and federal laws and regulations require the City to place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for up to thirty years after closure. Operating and capital expenditures related to current activities of the landfill are recorded in the Solid Waste Services special revenue fund. During 2015, the City did not have any current expenditures for landfill closure costs nor any post-closure care costs. The total estimated liability for landfill closure and postclosure care costs are reported on the government-wide statement of net position.

During 2015, the future closure and postclosure costs were reevaluated and adjusted to reflect current conditions. As of December 31, 2015, the estimated liability for landfill closure and postclosure care costs totaled \$959,880, an increase of \$3,840 from the estimated liability as of December 31, 2014.

The estimated liability is based on an engineer’s estimate taking into account various factors including used capacity. As of December 31, 2015 used capacity was approximately 59.98%. It is estimated that an additional \$740,120 will be recognized as closure and postclosure care expenses between the date of the balance sheet, and the year 2037, in 24 years, the date the landfill is expected to reach full capacity. The estimated total current cost of the landfill closure and postclosure care is \$1,700,000 and is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of December 31, 2015. The actual cost of closure and postclosure care may be higher due to inflation, changes in technology, and/or changes in the landfill laws and regulations.

The City is required by state and federal laws and regulations to demonstrate financial responsibility for closure and postclosure care costs. The City was in compliance with the requirements for inert landfills at December 31, 2015.

4-I. Long-Term Debt

General Obligation Bonds - The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities.

Note 4 - Detailed Notes on All Funds (Continued)

General obligation bonds are secured by the full faith and credit of the City. These bonds are payable from taxes levied on all property located within the City, sales taxes collected within the City, and from proprietary revenues, if the bonds were issued for proprietary activities. General obligation bonds currently outstanding are as follows:

1997 Hospital General Obligation Bonds – issued to finance improvements for the Ketchikan General Hospital, refunded March 17, 2015, due in annual installments through October 1, 2017, bearing interest rates of 2.00-4.00%.

2010 Fire Station General Obligation Bonds – issued to finance construction of a new fire station for the Ketchikan Fire Department, issued December 9, 2010, due in annual installments through August 1, 2030, bearing interest rates of 1.422 – 6.256%.

2012 Library Facilities General Obligation Bonds – issued to finance construction of a new library for the Ketchikan area, issued May 1, 2012, due in annual installments through September 1, 2031, bearing interest rates of 2.00 – 5.00%.

2014 Harbor General Obligation Bonds – issued to finance harbor improvements for Bar Harbor South, issued June 19, 2014, due in annual installments through June 1, 2034, bearing interest rates of 3.00 – 5.00%.

2014 Hospital General Obligation Bonds – issued to finance construction of an addition to the Ketchikan Medical Center, issued June 19, 2014, due in annual installments through June 1, 2044, bearing interest rates of 4.00 – 5.00%.

Wastewater General Obligation Bonds, ADEC Clean Water Fund 481011 – issued to finance the replacement of a portion of the Tongass Avenue sewer main, due in semiannual installments through May 1, 2032 bearing an interest rate of 1.5%.

Wastewater General Obligation Bonds, ADEC Clean Water Fund 481071 – issued to finance the replacement of a portion of the Tongass Avenue sewer main, bearing an interest rate of 1.5%, due in semiannual installments through November 1, 2033.

Wastewater General Obligation Bonds, ADEC Clean Water Fund 481072 – issued to finance the replacement of a portion of the Tongass Avenue sewer main, bearing an interest rate of 1.5%, due in semiannual installments through November 1, 2033.

Wastewater General Obligation Bonds, ADEC Clean Water Fund 481101 – issued to finance the replacement of a portion of the Jackson/Monroe Avenue sewer main, bearing an interest rate of 1.5% due in semiannual installments through November 1, 2035

Annual debt service requirements to amortize general obligation bonds outstanding, as of December 31, 2015 follow:

Year	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 1,355,000	\$ 2,400,200	\$ 3,755,200	\$ 96,531	\$ 59,501	\$ 156,032
2017	1,400,000	2,355,643	3,755,643	97,985	27,766	125,751
2018	1,430,000	2,279,568	3,709,568	99,460	26,291	125,751
2019	1,495,000	2,209,224	3,704,224	100,957	24,794	125,751
2020	1,565,000	2,135,188	3,700,188	102,477	23,274	125,751
2021-2025	8,945,000	9,422,624	18,367,624	536,000	92,754	628,754
2026-2030	11,120,000	7,010,509	18,130,509	577,584	51,170	628,754
2031-2035	9,105,000	4,726,950	13,831,950	361,032	11,364	372,396
2036-2040	9,780,000	2,880,000	12,660,000	-	-	-
2041-2045	9,355,000	767,100	10,122,100	-	-	-
Total	\$ 55,550,000	\$ 36,187,006	\$ 91,737,006	\$ 1,972,026	\$ 316,914	\$ 2,288,940

Note 4 - Detailed Notes on All Funds (Continued)

Revenue Bonds - The City issues revenue bonds where the City pledges income derived from the acquired or constructed assets to pay for debt service. All revenues of the respective funds are pledged to satisfy annual principal and interest requirements until the bonds mature. All revenue bonds issued by the City have been recorded in the Ketchikan Public Utilities, Port or Wastewater Enterprise Funds and are described below:

KPU Revenue Bonds, 1997, Series T –Amended – issued to finance the expansion of diesel generation capacity, refunded October 20, 2005, due in annual installments through June 1, 2017, bearing interest rates of 3.00 – 5.75%.

KPU Revenue Bonds, 2008, Series W, Clean Renewable Energy Tax Credit – issued to finance a hydroelectric modernization project, dated July 10, 2008, due in annual installments through December 15, 2022 bearing an interest rate of .750%.

KPU Revenue Bonds, 2013, Series X– issued to finance a hydroelectric project, dated June 19, 2013, due in annual installments through June 1, 2033 bearing an interest rates of 2.00 – 5.00%.

KPU Revenue Bonds, ADEC Drinking Water Fund 481021– issued a taxable junior lien municipal utility revenue bond bearing an interest rate of 1.5% to finance the replacement of a portion of the Tongass Avenue water main, due in semiannual installments through May 1, 2032.

KPU Revenue Bonds, ADEC Drinking Water Fund 481051– issued a taxable junior lien municipal utility revenue bond bearing an interest rate of 1.5% to finance the construction of a water treatment facility, due in semiannual installments through November 1, 2033. The amount authorized is \$5.5 million. As of December 31, 2015 the City had incurred \$4,821,306 in constructions costs of which \$3,531,178 has been put into a loan schedule. An additional \$1,290,128 in construction costs eligible for funding from this loan program has been incurred as of December 31, 2015. The additional amount to be borrowed and loan amortization schedule will be finalized upon completion of the project.

KPU Revenue Bonds, ADEC Drinking Water Fund 481061– issued a taxable junior lien municipal utility revenue bond bearing an interest rate of 1.5% to finance the replacement of a portion of Tongass Avenue water main, due in semiannual installments through November 1, 2033.

KPU Revenue Bonds, ADEC Drinking Water Fund 481091– issued a taxable junior lien municipal utility revenue bond bearing an interest rate of 1.5% to finance the construction of the Baranof reservoir replacement, due in semiannual installments through November 1, 2033.

KPU Revenue Bonds, ADEC Drinking Water Fund 481121– issued a taxable junior lien municipal utility revenue bond bearing an interest rate of 1.5% to finance the construction of the Baranof reservoir replacement, due in semiannual installments through November 1, 2033.

KPU Revenue Bonds, ADEC Drinking Water Fund 481141– issued a taxable junior lien municipal utility revenue bond bearing an interest rate of 1.5% to finance the construction of the Jackson/Monroe water main replacement, due in semiannual installments through November 1, 2035.

Port Revenue Bonds, 2006 Series – issued to finance the port expansion and reconfiguration project, dated July 26, 2006, due in annual installments through December 1, 2035, bearing interest rates of 4.25 – 5.50%.

Wastewater Revenue Bonds, ADEC Clean Water Fund 481111 – issued a taxable junior lien municipal utility revenue bond bearing an interest rate of 1.5% to finance the replacement of a portion of the Alaska Avenue sewer main, due in semiannual installments through November 1, 2033.

The operating revenues of the KPU, Port and Wastewater Funds were \$37 million, \$9 million and \$2.8 million respectively. The debt service for KPU, Port and Wastewater Funds were \$2.9 million or 7.8% of revenues, \$2.4 million or 26.7% of revenues and \$131 thousand or 4.7% of revenues, respectively.

Note 4 - Detailed Notes on All Funds (Continued)

Annual debt service requirements to amortize revenue bonds outstanding, as of December 31, 2015 follow:

Year	Principal	Interest	Total
2016	\$ 3,089,271	\$ 2,426,094	\$ 5,515,365
2017	3,204,605	2,288,477	5,493,082
2018	1,995,020	2,187,025	4,182,045
2019	2,075,516	2,108,530	4,184,046
2020	2,156,094	2,023,327	4,179,421
2021-2025	12,022,133	8,633,648	20,655,781
2026-2030	14,889,748	5,599,724	20,489,472
2031-2035	15,379,865	1,989,922	17,369,787
Total	\$ 54,812,252	\$ 27,256,747	\$ 82,068,999

This amortization schedule does not include \$1,290,128 for KPU Water Drinking Water Loan Fund because the current project is not complete.

Changes in Long-term Debt - Changes in the City's long-term obligations consisted of the following for the year ended December 31, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds payable:					
General obligation bonds	\$ 56,895,000	\$ 2,280,000	\$ 3,625,000	\$ 55,550,000	\$ 1,355,000
Plus deferred amounts:					
For issuance premiums	2,546,445	101,300	213,664	2,434,081	138,457
Total bonds payable	59,441,445	2,381,300	3,838,664	57,984,081	1,493,457
Landfill closure costs	956,040	3,840		959,880	-
Compensated absences	1,327,291	1,218,333	1,138,370	1,407,254	140,725
Total Governmental Activities	\$ 61,724,776	\$ 3,603,473	\$ 4,977,034	\$ 60,351,215	\$ 1,634,182
Business-Type Activities					
Bonds payable:					
General obligation bonds	\$ 2,711,970	\$ 22,760	\$ 762,704	\$ 1,972,026	\$ 96,529
Revenue bonds	58,976,805	1,088,577	3,963,003	56,102,379	3,089,273
Plus deferred amounts:					
For issuance premiums	2,325,612	-	144,045	2,181,567	144,045
Total bonds payable	64,014,387	1,111,337	4,869,752	60,255,972	3,329,847
Compensated absences	844,602	1,276,040	1,132,192	988,450	98,845
Total Business-Type Activities	\$ 64,858,989	\$ 2,387,377	\$ 6,001,944	\$ 61,244,422	\$ 3,428,692

The general obligation bonds for governmental activities are being retired by the general obligation bond debt service fund.

The landfill closure costs are being paid from the solid waste services fund. Principal and interest payments related to the City's revenue bonds are financed from income derived from the operations of the Ketchikan Public Utilities and Port Enterprise funds. The general obligation bonds for business-type activities are being retired from resources derived from the operations of the Port enterprise fund. The compensated absences liability is being liquidated from the compensated absences fund.

Note 4 - Detailed Notes on All Funds (Continued)

Defeased Bonds Outstanding - In prior years, the City issued general obligation and municipal utility revenue refunding bonds to defease certain outstanding general obligation and municipal utility revenue bonds to achieve debt service savings. The City has placed the proceeds from the refunding issues in irrevocable escrow accounts with a trust agent to insure payment of debt service on the refunded bonds. Accordingly, the trust assets and liabilities for the defeased bonds are not included in the City's financial statements. Although defeased, the refunded debt from these earlier issues will not be actually retired until the call dates have come due or until maturity if they are not callable issues. As of December 31, 2015, \$4,130,000 of the bonds outstanding was considered defeased.

4-J. Retirement Plans

Substantially all regular employees of the City are members of the Alaska Public Employees' Retirement System (PERS) except for employees who are members of the International Brotherhood of Electrical Workers Local No. 1547 (IBEW). IBEW members participate in a union sponsored defined benefit plan.

A. State of Alaska Public Employees' Retirement System

Plan Description

All regular employees of the City not covered by a collective bargaining agreement that includes a pension benefit and work at least 15 hours are provided with a pension through the State of Alaska Public Employees Retirement System (PERS). The PERS was originally established as an agent multiple-employer plan but was converted to cost-sharing multiple employer plan, effective July 1, 2008. The PERS includes defined benefit plans (Tiers I, II, and III) and a defined contribution plan (Tier IV). The PERS defined benefit plan was closed to all new employees hired on or after July 1, 2006 and replaced with a defined contribution plan. PERS provides retirement, disability, death and other post-retirement benefits. Benefits and employer contributions are established by Alaska Statutes and may only be amended by the State Legislature.

PERS is administered by the State of Alaska. Each fiscal year, PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State of Alaska, Department of Administration, Division of Retirements and Benefits, P.O. Box 110203, Juneau, AK 99811-0203 or online at <http://doa.alaska.gov/dr/pers/employee/resources/cafr.html>.

Defined Benefit Plan

Plan Benefits

Retirement Benefits - The determination of retirement benefits is based on an employee's initial entry date into the PERS. Employees entering into the PERS before July 1, 1986 are classified as Tier I and are eligible for normal benefits at age 55 or early retirement benefits at age 50 after five years of service. Employees with an initial entry date of on or after July 1, 1986 are classified as Tiers II and III and, after five years of service, are eligible for normal benefits at age 60 or early retirement benefits at age 55. The benefit is calculated by multiplying the average monthly compensation times credited PERS service times the percentage multiplier. The percentage multipliers for peace officers/firefighters are 2% for the first ten years of service and 2.5% for years of service over ten years. The percentage multipliers for all others are 2% for the first ten years, 2.25% for the second ten years and 2.5% for all years of service earned on or after July 1, 1986. Service earned before July 1, 1986 is calculated at 2%.

Death Benefits - Monthly death benefits may be paid to a spouse or dependent children upon the death of a non-retired employee calculated based on whether it is an occupational or non-occupational death. For a retired employee, the beneficiary will receive a lump sum refund of the employee's account balance or, if the member selected a survivor option, lifetime monthly benefits for the eligible spouse.

Disability Benefits - Monthly disability benefits are paid to permanently disabled employees until they recover, die or become eligible for normal retirement. Employees are appointed to normal retirement on the first day of the month after they become eligible. Benefits are determined as follows:

- Occupational disability benefits are equal to 40% of an employee's gross monthly compensation at the date of their disability. Employees are not required to satisfy age or service requirements.

Note 4 - Detailed Notes on All Funds (Continued)

- Non-occupational disability benefits are calculated based on the employee’s average monthly compensation and PERS service on the date of termination due to the disability. Employees must have five years of PERS service in order to be eligible to receive benefits.

Benefit Changes After Retirement – Postretirement pension adjustments (PRPA) are granted annually to eligible benefit recipients when the consumer price index (CPI) for urban wage earners and clerical works for Anchorage increases during the preceding calendar year. Ad hoc PRPAs up to a maximum of 4% may be granted to eligible recipients who first entered PERS prior to July 1, 1986 if the CPI increases and the funding ratio is at least 105%.

Alaska Cost of Living Allowance – Eligible recipients who reside in Alaska receive an Alaska cost of living allowance equal to 10% of their base benefits or \$50, whichever is more.

Contributions

Mandatory contributions are required by regular employees eligible to participate in the PERS. Police and firefighters are required to contribute 7.5% of their annual covered salary and all other employees are required to contribute 6.75%.

There are several other contribution rates associated with funding the PERS. They as follows:

Employer Contribution Rate - Alaska Statute 39.35.255 established a mandatory employer contribution rate of 22% of covered payroll. This rate is assessed on the covered payroll attributable to employees participating in the defined benefit and the defined contribution plans. Contributions derived from the employees participating in the defined contribution plan that are not required to fund the benefits of the deferred contribution plan are referred to as the Defined Benefit Unfunded Liability or DBUL contribution. The Alaska Legislature can change the mandatory employer contribution rate by amending Alaska Statute 39.35.255.

Alaska Retirement Management Board Adopted Rate – This rate is actuarially determined and used to calculate the annual funding requirements for the PERS and is the rate formally adopted by the Alaska Retirement Management Board (ARMB). Prior to July 1, 2015, there were no constraints or restrictions on the actuarial cost methods or any other assumptions used to determine the rate. Effective July 1, 2015, the Alaska Legislature began requiring the ARMB to adopted employer contribution rates for past service cost liabilities using a level percent of pay method over a closed 25-year term, which ends in 2039. This will result in lower ARMB adopted rates in future years but increase the amount required to meet the funding requirements of the PERS by extending period required to fund the pension liability by nine years. Prior to July 1, 2015, the ARMB used an actuarially determined rate based on the level dollar method.

State Contribution Rate - This is the rate paid by the State as an on-behalf payment under Alaska Statutes 39.25.280. This statute requires the State to contribute, subject to available funding, an on-behalf amount equal to the difference between the ARMB Adopted Rate and Employer Contribution Rate mandated by Alaska Statutes 39.35.255. In 2015, due the availability of additional funding, the Alaska Legislature appropriated a one-time contribution to the PERS in the amount of \$1 billion. As a result, the On-behalf Contribution Rate significantly exceeds the statutory amount.

Contributions rates for the year ended December 31, 2015 were based on the June 30, 2013 roll forward PERS valuation report and the June 30, 2012 PERS actuarial valuation report and were as follows:

	Employer Rate		ARMB Rate		State Contribution Rate	
	Jan 1 -	July 1 -	Jan 1 -	July 1 -	Jan 1 -	July 1 -
	June 30	Dec 31	June 30	Dec 31	June 30	Dec 31
Pension	12.54%	13.25%	25.09%	16.88%	42.41%	3.63%
Postemployment healthcare	9.46%	8.75%	18.94%	10.31%	0.00%	1.56%
Total Contribution Rate	22.00%	22.00%	44.03%	27.19%	42.41%	5.19%

Note 4 - Detailed Notes on All Funds (Continued)

The amounts contributed by the City and the State in the form of on-behalf payments for Tiers I, II, and III for the year ended December 31 were as follows:

Pension	2015	2014	2013
Employer contributions (including DBUL)	\$ 960,680	\$ 882,730	\$ 771,002
Nonemployer contributions	2,382,842	2,330,923	777,802
Total Contributions	<u>\$ 3,343,522</u>	<u>\$ 3,213,653</u>	<u>\$ 1,548,804</u>

Postemployment Healthcare	2015	2014	2013
Employer contributions (including DBUL)	\$ 677,349	\$ 793,836	\$ 900,495
Nonemployer contributions	72,849	301,477	531,634
Total Contributions	<u>\$ 750,198</u>	<u>\$ 1,095,313</u>	<u>\$ 1,432,129</u>

The amounts contributed by the City for postemployment healthcare were equal to the required employer contributions for the last three years. Included in both the pension and the postemployment health amounts are the DBUL amounts that were levied against the PERS Defined Contribution Plan (Tier IV).

Terminated employees may receive refunds of their mandatory and voluntary contributions, indebtedness payments and interest earned on the contributions and indebtedness payments. Terminated employee contribution accounts may be attached to satisfy claims under Alaska Statutes 09.38.065, federal income tax levies, and valid qualified domestic relation orders.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2015, the City reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the City. The amount recognized by the City as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the net pension liability	\$ 14,655,785
State's proportionate share of the net pension liability associated with the City	3,925,957
	<u>\$ 18,581,742</u>

This disclosure is based on the provisions of Alaska Statute 39.35.280, which may be amended at the discretion of the Alaska State Legislature. An amendment to the Statute could result in the City recognizing some, or all, of the State's proportionate share of the net pension liability associated with the City.

The net pension liability was measured as of June 30, 2015 and the total pension liability used for the calculation was determined by an actuarial valuation as of June 30, 2014. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State, actuarially determined. At June 30, 2015, the City's proportion was .3022%, which was an increase of .0566% from its proportion measured as of June 30, 2014.

Note 4 - Detailed Notes on All Funds (Continued)

For the year ended December 31, 2015, the City recognized pension expense of \$5,733,562 and revenue of \$2,382,842 for support provided by the State. At December 31, 2015, the City reported deferred outflows of resources and deferred inflow of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 856,938	\$ -
Changes in proportion and differences between employer share of contributions	36,374	-
Difference Between Expected and Actual Experience	17,083	-
Net differences between projected and actual earnings on pension plan investments	-	259,468
Contributions to subsequent to the measurement date	503,534	-
Totals	\$ 1,413,929	\$ 259,468

The deferred outflows of resources related to pensions of \$503,534 resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflow of resources related to pensions will be recognized as pension expense as follows:

Year Ending December 31:	
2016	\$ 663,947
2017	(86,829)
2018	(166,639)
2019	240,448

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2015:

Inflation	3.12%
Salary increases	Graded by service from 9.66% to 4.92% for peace officers and firefighters Graded by age and service from 8.55% to 4.34% for all others
Investment rate of return	8.00%, net of expenses, based on an average rate of 3.12% and a real rate of return of 4.88%

Pre-termination mortality rates were based on the 2010-2013 actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for Peace Officer/Firefighters, 50% of the time for others. Post-termination mortality rates were based on 95% of all rates of the RP-2000 table, 2000 Base Year projected to 2018 with Projection Scale BB.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2009 to June 30, 2013, resulting in changes in the actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by an asset allocation percentage, which is based on the nature and mix of current and

Note 4 - Detailed Notes on All Funds (Continued)

expected plan investments, and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the PERS's current and expected asset allocation are summarized in the following table (note that the rates shown below exclude the inflation component):

Long-Term Expected Real Rate of Return

Asset Class	
Domestic equity	5.40%
Global equity (non-US)	5.25%
Private equity	5.60%
Fixed income composite	5.25%
Real estate	5.65%
Alternative equity	5.55%

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that employer and nonemployer contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the current discount rate of 8.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00%) or one percentage point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$ 19,483,626	\$ 14,655,785	\$ 10,591,243

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Alaska Public Employees Retirement System financial report.

Defined Contribution Plan

All regular employees who are first time members of the PERS participate in the PERS Defined Contribution Hybrid Plan for Tier IV. This plan provides pension, occupational disability, death, and healthcare benefits.

Plan Benefits

Pension Benefits – The pension plan is a defined contribution plan. Employees immediately vest 100 percent in their own contributions. An employee vests 25 percent in the employer's contributions with two years of service, 50 percent with three years of service, 75 percent with four years of service and 100% with five years of service. Contributions consist solely of employee and employer contributions, with no special funding or other nonemployer contributions. Alaska Statutes require that forfeitures be used to reduce employer contributions. The benefits paid to employees are based on the amounts contributed to the plan by employers and employees and investment earnings.

Occupational Death and Disability Benefits – The Occupational Death and Disability Plan is a defined benefit plan. Employees who become totally and permanently disabled from occupational causes may be eligible to receive a monthly disability benefit. Beneficiaries receive benefits when an employee dies from occupational causes before retirement.

Note 4 - Detailed Notes on All Funds (Continued)

Healthcare Benefits – The Retiree Major Medical Plan is a defined benefit plan. Employees must have a minimum of ten year of service in order to be eligible for the Major Medical Plan. The Health Reimbursement Arrangement is a defined contribution plan established to reimburse eligible medical from individual savings accounts.

Funding Policy and Contribution Rates

The employee contribution rate for the PERS Defined Contribution Plan is set by Alaska Statutes at 8 percent of eligible compensation. Contributions are accounted for in an individual pension account established for each employee and are immediately vested.

The employer contribution rate for the PERS Defined Contribution Plan set by Alaska Statutes at the same rate as the PERS Defined Benefit Plan. The current employer contribution rate is 22 percent and is comprised of five elements: (1) pension; (2) retiree major medical; (3) occupational death and disability; (4) health reimbursement account; and a (5) residual contribution applied as a payment to the PERS Defined Benefit Plan’s unfunded liability (DUBL). The City’s liability is limited to its employer contributions. Certain rates are set annually on July 1. The table below summarizes the rates in effect during the City’s fiscal year.

	1/1/15 - 6/30/15	7/1/15 - 12/31/15
<i>Employee:</i>		
Pension		
Police Officers and Firefighters	8.00%	8.00%
Other Employees	8.00%	8.00%
<i>Employer:</i>		
Pension		
Police Officers and Firefighters	5.00%	5.00%
Other Employees	5.00%	5.00%
Retiree Major Medical		
Police Officers and Firefighters	1.66%	1.68%
Other Employees	1.66%	1.68%
Occupational Disability & Death:		
Police Officers and Firefighters	1.06%	1.05%
Other Employees	0.22%	0.22%
Health Reimbursement Account:		
Police Officers and Firefighters	\$163.38/month*	\$167.04/month*
Other Employees	\$163.38/month*	\$167.04/month*

* Fixed dollar amount per employee based on 3% of the average annual compensation of all employees of all employers in the PERS as required under AS 39.30.370.

The contributions rates for the year ended December 31, 2015 were based on the June 30, 2013 roll forward PERS valuation report and the June 30, 2012 PERS actuarial valuation report.

(This page continued on the subsequent page)

Note 4 - Detailed Notes on All Funds (Continued)

The amounts contributed by the City for the PERS Defined Contribution Hybrid Plan for Tier IV for the year ended December 31 were as follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Covered employee payroll	<u>\$ 3,690,264</u>	<u>\$ 3,396,993</u>	<u>\$ 3,078,356</u>
Pension contributions	\$ 184,661	\$ 169,854	\$ 153,829
Other postemployment contributions	<u>185,145</u>	<u>145,655</u>	<u>111,436</u>
Total Contributions	<u>\$ 369,806</u>	<u>\$ 315,509</u>	<u>\$ 265,265</u>

B. International Brotherhood of Electrical Workers

The International Brotherhood of Electrical Workers (IBEW) retirement plan is a union sponsored defined benefit plan. The plan is funded entirely by employer contributions based upon hourly rates, which are determined by a collective bargaining process. The City's obligation for retirement under the IBEW plan is limited to the amount paid to the Alaska Electrical Trust Fund. The City exercises no fiduciary responsibility over the IBEW plan. Accordingly, the City accounts for the IBEW retirement plan as if it were a defined contribution plan. Employees who are members of the IBEW are eligible to participate immediately upon employment and are fully vested after ten years of service.

Contributions for employees covered under the public works and clerical workers collective bargaining agreement range from \$2.50 to \$4.07 per hour worked; contributions for employees covered under the Ketchikan Public Utilities collective bargaining agreement range from \$3.09 to \$5.64 per hour for craft employees and \$2.75 to \$5.15 for non-craft employees. The City's total payroll for the year ended December 31, 2015 was \$20,444,868 and payroll for covered employees totaled \$10,416,331. The total amount contributed to the IBEW plan in 2015 was \$1,530,882, which represents 14.7% of the City's current covered payroll.

4-K. Net Investment in Capital Assets

Net Investment in capital assets on the government-wide statement of net position as of December 31, 2015 are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Cost of capital assets	\$ 250,327,485	\$ 340,060,542
Less accumulated depreciation	<u>(55,755,149)</u>	<u>(155,608,766)</u>
Book value	194,572,336	184,451,776
Less capital related debt	(39,880,080)	(60,255,972)
Plus (Less) bond discount and refunding amounts	<u>(33,144)</u>	<u>35,925</u>
Net investment in capital assets	<u>\$ 154,659,112</u>	<u>\$ 124,231,729</u>

4-L. Deferred Inflows and Outflows of Resources

Deferred outflows of resources consist of deferred charges from the City's pension plan activity and debt refundings resulting from the difference in the carrying value of the refunded debt and its reacquisition price.

Deferred inflows of resources consist of revenues earned but unavailable for use, from pension plan activity and debt refundings resulting in the difference in the carrying value of the refunded debt and its reacquisition price.

Note 4 - Detailed Notes on All Funds (Continued)

The City's deferred inflows and outflows of resources at December 31, 2015 are as follows:

	Fund Level		Government Wide Level	
	Governmental Funds	Proprietary Funds	Governmental Activities	Business-type Activities
Deferred Outflows				
Outflow due to refunding	\$ -	\$ 35,925	\$ 40,592	\$ 35,925
Outflow due to pension accounting	-	315,466	1,098,461	315,466
Total Deferred Outflows	\$ -	\$ 351,391	\$ 1,139,053	\$ 351,391
Deferred Inflows				
Revenue from taxes	\$ 2,163,110	\$ -	\$ -	\$ -
Revenue from services	63,915	-	-	-
Inflow from refunding	-	-	73,736	-
Inflow from pension accounting	-	58,925	200,543	58,925
Total Deferred Inflows	\$ 2,227,025	\$ 58,925	\$ 274,279	\$ 58,925

Additional information regarding the deferred outflows and deferred inflows of resources related to pension plan activity are included in note 4-J.

Note 5- Other Notes

5-A. Risk Management

The City is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; and natural disasters. The City utilizes a self-insurance fund to account for and finance its uninsured risks of loss and insurance deductibles. The Self-Insurance Fund provides coverage up to a maximum of \$25,000 for each property claim, \$75,000 for each general liability claim, and \$100,000 for each employment practices claim. The City purchases commercial insurance for claims in excess of coverage provided by the Fund. Settled claims have not exceeded this commercial coverage in two of the past three fiscal years. All funds of the City participate in the risk management program and make payments to the Self-Insurance Fund based on the amounts needed to pay insurance and related risk management services, claims paid, claims incurred, but not reported, and to maintain adequate reserves for losses not covered by insurance. As of December 31, 2015, the City had a net position of \$1,716,742 in the Self-Insurance Fund. Claims payable represents estimates of claims incurred but not settled and claims incurred but not reported based upon past experience modified for current trends and information, which approximates the actuarial estimates of the amounts needed to pay the claims. At December 31, 2015 pending claims in the amount of \$143,000 and unpaid incurred claims in the amount of \$16,171 are included as a liability of the self-insurance fund. Amounts due within one year are \$16,171.

Changes in the balances of claims liabilities for the years ended December 31, 2015, 2014 and 2013 are as follows:

Date	(1) Beginning of Fiscal Year Liability	(2) Current Year Claims and Changes in Estimates	(3) Claim Payments	(4) End of Fiscal Year Liability
2013	334,055	39,066	117,498	255,623
2014	255,623	115,399	112,623	258,399
2015	258,399	31,182	130,410	159,171

There were no significant reductions in insurance coverage from the prior year.

5-B. Contingent Liabilities

Grants - The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement to the grantor agency for costs disallowed under terms of the grant. The City believes such disallowances, if any, will be immaterial.

Litigation - The City is a defendant in various lawsuits and a number of claims for damages and personal injury are pending against the City. Although the outcome of these lawsuits and claims is not presently determinable, in the opinion of City's management and legal counsel, the resolution of these contingencies should not have a material adverse effect on the financial condition of the City.

5-C. Swan Lake Hydroelectric Facility and Related Party Transactions

The City's electric utility currently operates five hydroelectric and two diesel electric generating plants. The City owns four of the hydroelectric plants and the diesel plants. The fifth hydroelectric plant is the 22.5 mega-watt Swan Lake facility owned by the Southeast Alaska Power Agency (the "SEAPA"), a joint action agency organized under AS 42.45.300 by the City and the municipalities of Wrangell, Alaska and Petersburg, Alaska. The SEAPA is an Alaskan public corporation and an instrumentality of the member utilities, having a legal existence independent of and separate from the member utilities. The agency has no power to bind, obligate or impose any debt, liability, or obligation on any member utility. Each member utility appoints representatives to serve as voting members of the SEAPA's five-member governing board. The City appoints two representatives. Wrangell and Petersburg each appoint one representative. One representative serves at large on a rotating basis. The SEAPA is a jointly governed organization. Members of the jointly governed organization have neither ongoing financial interest nor financial responsibility for that organization.

The City operates and maintains the Swan Lake hydroelectric facility under the terms of a long-term operating agreement with the SEAPA. The City also purchases power from the SEAPA under the terms and conditions of a long-term power sales agreement. In 2015, the SEAPA paid the City \$820,928 to operate the Swan Lake hydroelectric facility. The City paid the SEAPA \$5,381,319 for power purchased from the Swan Lake hydroelectric facility. During 2015, approximately 47% of the City's total electric generation, or 82,277,072 kWh, was produced by the Swan Lake hydroelectric facility. At December 31, 2015, the amount due to the SEAPA was \$1,135,311.

5-D. Ketchikan Public Utilities-Sale of the Telecommunications Division

On April 6, 2010, the voters of the City authorized the sale of the Telecommunications Division of Ketchikan Public Utilities for no less than fair market value as determined by an appraiser, subject to City Council approval. The voters also approved the establishment of a rate stabilization fund to account for the net proceeds from the sale. The City has engaged a broker specializing in telecommunications transactions to locate a buyer. One prospective buyer has approached the City but no offers have been tendered.

5-E. Violation of Stage I Disinfectants/Disinfection Byproducts Rule

In 2005, the Alaska Department of Environmental Conservation (ADEC) cited the municipal water system owned and operated by the City of Ketchikan d/b/a Ketchikan Public Utilities for exceeding acceptable levels of haloacetic acids. This occurrence was deemed to be a violation of the Stage I Disinfection and Disinfection Byproducts Rule and the City was ordered to correct the violation or begin water filtration. The City chose to construct a facility that uses ultraviolet for primary disinfection and chloramines for residual disinfection. In April 2014, the new water treatment facility was placed in service. While the initial results from operating the new facility showed an improvement in the levels of haloacetic acids, it was determined that the improvement was insufficient to correct the violation of the Stage I Disinfection and Disinfection Byproduct Rule. In addition, it has been determined that the municipal water system is experiencing water coliform levels that exceed acceptable levels. In December of 2014, the City entered into a second compliance order by consent with ADEC to construct a two-point chlorination facility in order to address the issue of elevated chloramines and coliform in the municipal water system. In June 2015, the City awarded a \$1.36 million contract to construct the two-point chlorination facility. The City expects to complete the facility in the summer of 2016.

5-F. Issuance of Debt

In April 2016, the City issued a municipal utility revenue bond totaling \$2.295 million to refund its 1997 KPU Series T Revenue Bond. This issuance resulted in a net present value savings of \$33,352. The KPU refunding bond will mature in 2017. In October 2016, the City issued a general obligation bond totaling \$1.765 million with an average effective interest

rate of 3.46% to finance improvements for the City owned harbors. The general obligation bond will mature in 2035. In October 2016, the City issued a port revenue bond totaling \$27.635 million to refund its 2006 Port Revenue Bond. This issuance resulted in net present value savings of \$4.41 million. The Port refunding bond will mature in 2035.



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Required Supplementary Information
City of Ketchikan, Alaska
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
Revenues						
Taxes						
Real & personal property taxes	\$ 5,827,800	\$ 5,827,800	\$ 5,851,759	\$ -	\$ 5,851,759	\$ 23,959
Automobile & boat taxes	40,000	40,000	47,887	-	47,887	7,887
Penalty & interest	50,000	50,000	85,659	-	85,659	35,659
Senior citizen local contribution	(428,000)	(428,000)	(436,336)	-	(436,336)	(8,336)
Sales tax	4,417,500	4,417,500	4,285,469	-	4,285,469	(132,031)
Payments in lieu of taxes	10,000	10,000	12,164	-	12,164	2,164
	<u>9,917,300</u>	<u>9,917,300</u>	<u>9,846,602</u>	<u>-</u>	<u>9,846,602</u>	<u>(70,698)</u>
Payments in lieu of taxes						
Ketchikan public utilities fund	786,000	786,000	-	786,000	786,000	-
Port fund	319,000	319,000	-	319,000	319,000	-
Wastewater services fund	80,000	80,000	-	80,000	80,000	-
	<u>1,185,000</u>	<u>1,185,000</u>	<u>-</u>	<u>1,185,000</u>	<u>1,185,000</u>	<u>-</u>
Licenses and permits						
Entertainment	500	500	-	-	-	(500)
Building permits	73,000	73,000	115,960	-	115,960	42,960
Other	1,600	1,600	1,745	-	1,745	145
	<u>75,100</u>	<u>75,100</u>	<u>117,705</u>	<u>-</u>	<u>117,705</u>	<u>42,605</u>
Intergovernmental						
Federal fire grants	-	7,625	100,890	-	100,890	93,265
Liquor licenses tax	30,000	30,000	31,250	-	31,250	1,250
Other state revenues	605,576	612,626	2,332,482	(1,842,184)	490,298	(122,328)
Federal revenues	-	-	2,000	-	2,000	2,000
	<u>635,576</u>	<u>650,251</u>	<u>2,466,622</u>	<u>(1,842,184)</u>	<u>624,438</u>	<u>(25,813)</u>
Charges for services						
Ambulance	525,000	525,000	571,134	-	571,134	46,134
Rentals	13,000	13,000	17,467	-	17,467	4,467
Parking fees	80,000	80,000	81,230	-	81,230	1,230
Cemetery	800	800	925	-	925	125
Library services	651,952	651,952	580,749	-	580,749	(71,203)
Museum services	187,900	187,900	202,447	-	202,447	14,547
E-911 emergency dispatch services	430,000	430,000	411,929	-	411,929	(18,071)
Civic center services	164,800	164,800	123,584	-	123,584	(41,216)
Other charges	86,100	86,100	57,645	-	57,645	(28,455)
	<u>2,139,552</u>	<u>2,139,552</u>	<u>2,047,110</u>	<u>-</u>	<u>2,047,110</u>	<u>(92,442)</u>
Fines and forfeitures						
Parking fines	110,000	110,000	86,796	-	86,796	(23,204)
Other fines	9,000	9,000	31,207	-	31,207	22,207
Court deposits	32,000	32,000	32,469	-	32,469	469
	<u>151,000</u>	<u>151,000</u>	<u>150,472</u>	<u>-</u>	<u>150,472</u>	<u>(528)</u>
Investment earnings						
	1,000	1,000	650	-	650	(350)
Other revenue						
Miscellaneous	109,000	111,663	141,766	-	141,766	30,103
Interdepartmental charges						
	3,470,082	3,512,622	3,138,615	-	3,138,615	(374,007)
Total Revenues	<u>17,683,610</u>	<u>17,743,488</u>	<u>17,909,542</u>	<u>(657,184)</u>	<u>17,252,358</u>	<u>(491,130)</u>

Required Supplementary Information
City of Ketchikan, Alaska
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Cont'd)
For the Year Ended December 31, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Reclassifications and Encumbrances</u>	<u>(Budgetary Basis) Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures						
Current:						
General government						
Mayor and council	173,990	176,990	155,329	(3,781)	151,548	25,442
City Clerk	270,715	274,965	297,974	(37,219)	260,755	14,210
Law	383,129	383,129	345,818	(11,269)	334,549	48,580
City Manager	693,940	693,940	730,551	(115,151)	615,400	78,540
Finance	1,875,899	1,875,899	1,902,857	(189,860)	1,712,997	162,902
Information Technology	1,128,394	1,191,994	1,247,891	(113,857)	1,134,034	57,960
	<u>4,526,067</u>	<u>4,596,917</u>	<u>4,680,420</u>	<u>(471,137)</u>	<u>4,209,283</u>	<u>387,634</u>
Public safety						
Fire	3,281,072	3,286,697	3,671,825	(429,421)	3,242,404	44,293
Police	4,889,072	4,890,810	5,243,110	(684,501)	4,558,609	332,201
	<u>8,170,144</u>	<u>8,177,507</u>	<u>8,914,935</u>	<u>(1,113,922)</u>	<u>7,801,013</u>	<u>376,494</u>
Culture						
Library	1,354,006	1,377,700	1,387,510	(72,307)	1,315,203	62,497
Museum	897,406	898,331	845,551	(61,792)	783,759	114,572
Civic Center	463,337	463,337	449,305	(40,958)	408,347	54,990
	<u>2,714,749</u>	<u>2,739,368</u>	<u>2,682,366</u>	<u>(175,057)</u>	<u>2,507,309</u>	<u>232,059</u>
Health and welfare						
Public Health	14,325	14,325	6,615	-	6,615	7,710
Public works						
Engineering	1,764,175	1,814,375	1,592,453	(71,637)	1,520,816	293,559
Streets	1,812,254	1,849,754	1,565,506	(15,940)	1,549,566	300,188
Cemetery	81,585	81,585	73,192	4,172	77,364	4,221
Garage	528,297	528,297	493,631	(20,531)	473,100	55,197
Building Maintenance	428,397	428,397	348,743	3,740	352,483	75,914
	<u>4,614,708</u>	<u>4,702,408</u>	<u>4,073,525</u>	<u>(100,196)</u>	<u>3,973,329</u>	<u>729,079</u>
Total Expenditures	<u>20,039,993</u>	<u>20,230,525</u>	<u>20,357,861</u>	<u>(1,860,312)</u>	<u>18,497,549</u>	<u>1,732,976</u>
Deficiency of Revenues Under Expenditures	<u>(2,356,383)</u>	<u>(2,487,037)</u>	<u>(2,448,319)</u>	<u>1,203,128</u>	<u>(1,245,191)</u>	<u>1,241,846</u>

Required Supplementary Information
City of Ketchikan, Alaska
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Cont'd)
For the Year Ended December 31, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Reclassifications and Encumbrances</u>	<u>(Budgetary Basis) Actual</u>	<u>Variance Positive (Negative)</u>
Other Financing Sources (Uses)						
Transfers in						
Sales tax hospital and other public works fund	420,000	420,000	420,000	-	420,000	-
Sales tax public works fund	2,000,000	2,000,000	2,000,000	-	2,000,000	-
Transient occupancy tax fund	305,624	305,624	311,193	-	311,193	5,569
Shoreline area fund	6,374	6,374	6,374	-	6,374	-
Bayview cemetery fund	5,000	5,000	5,000	-	5,000	-
Commercial passenger vessel tax	88,250	88,250	65,637	-	65,637	(22,613)
Ketchikan public utilities fund	-	-	786,000	(786,000)	-	-
Port fund	-	-	319,000	(319,000)	-	-
Wastewater services fund	-	-	80,000	(80,000)	-	-
Transfers out						
GO bond debt service fund	(539,343)	(549,777)	(539,246)	-	(539,246)	10,531
Community grant fund	(185,973)	(203,917)	(203,917)	-	(203,917)	-
Sale of capital assets	10,000	10,000	66,691	-	66,691	56,691
Total Other Financing Sources (Uses)	<u>2,109,932</u>	<u>2,081,554</u>	<u>3,316,732</u>	<u>(1,185,000)</u>	<u>2,131,732</u>	<u>50,178</u>
Net Change in Fund Balances	(246,451)	(405,483)	868,413	18,128	886,541	1,292,024
Fund Balances Beginning of Year	<u>3,742,480</u>	<u>3,742,480</u>	<u>4,840,201</u>	<u>(314,518)</u>	<u>4,525,683</u>	<u>783,203</u>
Fund Balances End of Year	<u>\$ 3,496,029</u>	<u>\$ 3,336,997</u>	<u>\$ 5,708,614</u>	<u>\$ (296,390)</u>	<u>\$ 5,412,224</u>	<u>\$ 2,075,227</u>

City of Ketchikan, Alaska
Notes to Required Supplementary Information
For the Year Ended December 31, 2015

Note 1 – Budgetary Basis

The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles (GAAP) except that payments in lieu of taxes from the City’s enterprise funds are treated as tax revenue, outstanding encumbrances are reported as expenditures and payments made by the State of Alaska to the Alaska Public Employees Retirement System on behalf of the City are not included in the adopted budget for the General Fund. When two or more of the GAAP to budget adjustments exist the schedule below identifies the individual amounts for each.

	GAAP to Budget Adjustments		
	Encumbrances	On Behalf Payments	Total
General Government			
Mayor and Council	(713)	(3,068)	(3,781)
City Clerk	(2,718)	(34,501)	(37,219)
Law	4,000	(15,269)	(11,269)
City Manager	(16,950)	(98,201)	(115,151)
Finance	70	(189,930)	(189,860)
Information Technology	3,435	(117,292)	(113,857)
Total General Government	(12,876)	(458,261)	(471,137)
Public Safety			
Fire	(909)	(428,512)	(429,421)
Police	(6,073)	(678,428)	(684,501)
Total Public Safety	(6,982)	(1,106,940)	(1,113,922)
Culture			
Library	(8,696)	(63,611)	(72,307)
Museum	(7,665)	(54,127)	(61,792)
Civic Center	(4,246)	(36,712)	(40,958)
Total Culture	(20,607)	(154,450)	(175,057)
Public Works			
Engineering	17,146	(88,783)	(71,637)
Streets	(1,821)	(14,119)	(15,940)
Cemetery	4,172	-	4,172
Garage	(900)	(19,631)	(20,531)
Building Maintenance	3,740	-	3,740
Total Public Works	22,337	(122,533)	(100,196)
Total GAAP to Budget Adjustments	(18,128)	(1,842,184)	(1,860,312)

GOVERNMENTAL FUNDS

City of Ketchikan, Alaska
Combining Balance Sheet
Nonmajor Governmental Funds - by Fund Type
December 31, 2015

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Fund	Total Nonmajor Governmental Funds
Assets			
Cash and temporary investments	\$ 4,489,392	\$ 3,275,275	\$ 7,764,667
Restricted cash:			
Bond construction funds	-	270,208	270,208
Property seizure funds	185,639	-	185,639
Commercial passenger excise tax funds	-	2,301,546	2,301,546
Receivables:			
Accounts	308,185	-	308,185
Taxes	306,655	-	306,655
Intergovernmental	-	1,684,877	1,684,877
Advances from other funds	-	433,791	433,791
Unbilled revenue	53,521	-	53,521
Total Assets	\$ 5,343,392	\$ 7,965,697	\$ 13,309,089
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts payable	\$ 343,334	\$ 1,049,742	\$ 1,393,076
Customer deposits payable	12,200	-	12,200
Interfund payable	101,672	263,371	365,043
Unearned revenue	142,391	-	142,391
Advances to other funds	-	554,047	554,047
Total Liabilities	599,597	1,867,160	2,466,757
Deferred Inflows of Resources	94,731	-	94,731
Fund Balances			
Restricted:			
Law enforcement	167,552	-	167,552
Commercial passenger excise tax	-	2,301,546	2,301,546
Bond construction funds	-	270,208	270,208
Assigned:			
Subsequent years budget	396,167	-	396,167
Culture and tourism	354,150	-	354,150
Collection and disposal of solid waste	2,796,635	-	2,796,635
Cemetery operations	106,434	-	106,434
Harbor operations	929,798	-	929,798
Development of community facilities	-	3,033,593	3,033,593
Harbor construction	-	317,061	317,061
Public works projects	-	176,129	176,129
Unassigned	(101,672)	-	(101,672)
Total Fund Balances	4,649,064	6,098,537	10,747,601
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 5,343,392	\$ 7,965,697	\$ 13,309,089

City of Ketchikan, Alaska
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds - by Fund Type
For the Year Ended December 31, 2015

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Project Fund	Total Nonmajor Governmental Funds
Revenues				
Taxes	\$ 486,838	\$ -	\$ -	\$ 486,838
Intergovernmental	2,198,699	-	4,055,612	6,254,311
Charges for services	4,149,418	-	-	4,149,418
Fines and forfeitures	40,439	-	-	40,439
Investment earnings	723	-	31,069	31,792
Contributions	-	-	9,991	9,991
Miscellaneous	10,735	132,479	-	143,214
Interdepartmental equipment rental	42,150	-	-	42,150
Total Revenues	6,929,002	132,479	4,096,672	11,158,153
Expenditures				
Current:				
Public safety	35,289	-	-	35,289
Culture and tourism	500	-	-	500
Public works	2,853,954	-	-	2,853,954
Port and harbor	1,129,429	-	-	1,129,429
Debt Service:				
Principal retirement	85,000	3,540,000	-	3,625,000
Interest and fiscal charges	118,775	2,346,319	-	2,465,094
Bond issuance costs	-	17,468	-	17,468
Capital Outlay	855,104	-	8,082,276	8,937,380
Total Expenditures	5,078,051	5,903,787	8,082,276	19,064,114
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,850,951	(5,771,308)	(3,985,604)	(7,905,961)
Other Financing Sources (Uses)				
Issuance of refunding bonds	-	2,280,000	-	2,280,000
Premiums from issuance of refunding bonds	-	101,300	-	101,300
Transfers in	1,622,633	3,390,008	3,687,168	8,699,809
Transfers out	(4,068,998)	-	(324,875)	(4,393,873)
Total Other Financing Sources (Uses)	(2,446,365)	5,771,308	3,362,293	6,687,236
Net Change in Fund Balances	(595,414)	-	(623,311)	(1,218,725)
Fund Balances Beginning of Year	5,244,478	-	6,721,848	11,966,326
Fund Balances End of Year	\$ 4,649,064	\$ -	\$ 6,098,537	\$ 10,747,601

NONMAJOR SPECIAL REVENUE FUNDS

Transient Tax Fund – This fund is used to account for the proceeds of the seven (7) percent transient occupancy tax levied on hotel rent under Section 3.28 of the Ketchikan Municipal Code. These funds must be used primarily for the purpose of promoting the City but may be used for other purposes as determined by the City Council.

Solid Waste Services Fund – This fund is used to account for the revenues received from the collection and disposal of solid waste and the related expenditure of the funds.

Ketchikan Boat Harbor Fund – This fund is used to account for the revenues received from the operation of the boat harbor facilities. These revenues must be used to pay the cost of maintenance, operation and supervision of the City's boat harbor facilities as specified in Section 14.04.020 of the Ketchikan Municipal Code.

Bayview Cemetery Fund – This fund is used to account for revenues received that are dedicated to support the operation of the Bayview Cemetery and the related expenditure in these funds.

Commercial Passenger Vessel Tax Fund – This fund is used to account for revenues received from the State of Alaska and are dedicated for the following use per AS 43.52.200 (1) improve port and harbor infrastructure, (2) provide services to commercial passenger vessels and the passengers on board those vessels, or (3) improve the safety and efficiency of the interstate and foreign commerce activities in which the vessels and the passengers on board those vessels are engaged.

US Marshall Property Seizure Fund – This fund is used to account for revenues received from the seizure of assets during drug enforcement operations that are dedicated to law enforcement activities.

City of Ketchikan, Alaska
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2015

	Transient Tax	Solid Waste Services	Ketchikan Boat Harbor
Assets			
Cash and temporary investments	\$ 142,226	\$ 3,059,791	\$ 1,151,941
Restricted cash	-	-	-
Receivables:			
Accounts	-	279,758	28,427
Taxes	306,655	-	-
Unbilled revenue	-	53,521	-
Total Assets	\$ 448,881	\$ 3,393,070	\$ 1,180,368
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts payable	\$ -	\$ 303,733	\$ 21,514
Customer deposits payable	-	-	12,200
Interfund payable	-	-	-
Unearned revenue	-	-	142,391
Total Liabilities	-	303,733	176,105
Deferred Inflows of Resources	94,731	-	-
Fund Balances			
Restricted:			
Law enforcement	-	-	-
Assigned:			
Subsequent years budget	-	292,702	74,465
Culture and tourism	354,150	-	-
Collection and disposal of solid waste	-	2,796,635	-
Cemetery operations	-	-	-
Harbor operations	-	-	929,798
Unassigned			
Total Fund Balances	354,150	3,089,337	1,004,263
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 448,881	\$ 3,393,070	\$ 1,180,368

Bayview Cemetery	Commercial Passenger Vessel Tax	Forfeitures And Property Seizures	Total Nonmajor Special Revenue Funds
\$ 135,434	\$ -	\$ -	\$ 4,489,392
-	-	185,639	185,639
-	-	-	308,185
-	-	-	306,655
-	-	-	53,521
<u>\$ 135,434</u>	<u>\$ -</u>	<u>\$ 185,639</u>	<u>\$ 5,343,392</u>
\$ -	\$ -	\$ 18,087	\$ 343,334
-	-	-	12,200
-	101,672	-	101,672
-	-	-	142,391
-	101,672	18,087	599,597
-	-	-	94,731
-	-	167,552	167,552
29,000	-	-	396,167
-	-	-	354,150
-	-	-	2,796,635
106,434	-	-	106,434
-	-	-	929,798
-	(101,672)	-	(101,672)
<u>135,434</u>	<u>(101,672)</u>	<u>167,552</u>	<u>4,649,064</u>
<u>\$ 135,434</u>	<u>\$ -</u>	<u>\$ 185,639</u>	<u>\$ 5,343,392</u>

City of Ketchikan, Alaska
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2015

	Transient Tax	Solid Waste Services	Ketchikan Boat Harbor
Revenues			
Taxes	\$ 486,838	\$ -	\$ -
Intergovernmental	-	19,615	146,709
Charges for services	-	2,809,864	1,329,984
Fines and forfeitures	-	-	378
Investment earnings	26	476	175
Miscellaneous	-	10,735	-
Interdepartmental - equipment rental	-	42,150	-
Total Revenues	486,864	2,882,840	1,477,246
Expenditures			
Current:			
Public safety	-	-	-
Culture and tourism	-	-	-
Public works	-	2,843,495	-
Port and harbors	-	-	1,129,429
Debt Service:			
Principal retirement	-	-	85,000
Interest and fiscal charges	-	-	118,775
Capital Outlay	-	733,346	121,758
Total Expenditures	-	3,576,841	1,454,962
Excess (Deficiency) of Revenues Over (Under) Expenditures	486,864	(694,001)	22,284
Other Financing Sources (Uses)			
Transfers in	-	-	3,375
Transfers out	(311,193)	-	-
Total Other Financing Sources (Uses)	(311,193)	-	3,375
Net Change in Fund Balances	175,671	(694,001)	25,659
Fund Balances Beginning Of Year	178,479	3,783,338	978,604
Fund Balances End Of Year	\$ 354,150	\$ 3,089,337	\$ 1,004,263

Bayview Cemetery	Commercial Passenger Vessel tax	US Marshall Property Seizure	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ 486,838
-	2,032,375	-	2,198,699
9,570	-	-	4,149,418
-	-	40,061	40,439
18	-	28	723
-	-	-	10,735
-	-	-	42,150
<u>9,588</u>	<u>2,032,375</u>	<u>40,089</u>	<u>6,929,002</u>
-	-	35,289	35,289
-	500	-	500
10,459	-	-	2,853,954
-	-	-	1,129,429
-	-	-	85,000
-	-	-	118,775
-	-	-	855,104
<u>10,459</u>	<u>500</u>	<u>35,289</u>	<u>5,078,051</u>
(871)	2,031,875	4,800	1,850,951
-	1,619,258	-	1,622,633
<u>(5,000)</u>	<u>(3,752,805)</u>	<u>-</u>	<u>(4,068,998)</u>
<u>(5,000)</u>	<u>(2,133,547)</u>	<u>-</u>	<u>(2,446,365)</u>
(5,871)	(101,672)	4,800	(595,414)
<u>141,305</u>	<u>-</u>	<u>162,752</u>	<u>5,244,478</u>
<u>\$ 135,434</u>	<u>\$ (101,672)</u>	<u>\$ 167,552</u>	<u>\$ 4,649,064</u>

City of Ketchikan, Alaska
Transient Tax Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2015

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
Revenues						
Taxes	\$ 370,000	\$ 370,000	\$ 486,838	\$ -	\$ 486,838	\$ 116,838
Investment earnings	-	-	26	-	26	26
Total Revenues	<u>370,000</u>	<u>370,000</u>	<u>486,864</u>	<u>-</u>	<u>486,864</u>	<u>116,864</u>
Other Financing Uses						
Transfers out						
General fund	(305,624)	(305,624)	(311,193)	-	(311,193)	(5,569)
Total Other Financing Uses	<u>(305,624)</u>	<u>(305,624)</u>	<u>(311,193)</u>	<u>-</u>	<u>(311,193)</u>	<u>(5,569)</u>
Net Change in Fund Balances	64,376	64,376	175,671	-	175,671	111,295
Fund Balances Beginning of Year	206,001	206,001	178,479	-	178,479	(27,522)
Fund Balances End of Year	<u>\$ 270,377</u>	<u>\$ 270,377</u>	<u>\$ 354,150</u>	<u>\$ -</u>	<u>\$ 354,150</u>	<u>\$ 83,773</u>

City of Ketchikan, Alaska
Solid Waste Services Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2015

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
Revenues						
Intergovernmental	\$ -	\$ -	\$ 19,615	\$ (19,615)	\$ -	\$ -
Charges for services	2,878,000	2,878,000	2,809,864	-	2,809,864	(68,136)
Investment earnings	-	-	476	-	476	476
Miscellaneous	-	-	10,735	-	10,735	10,735
Interdepartmental - equipment rental	42,150	42,150	42,150	-	42,150	-
Total Revenues	<u>2,920,150</u>	<u>2,920,150</u>	<u>2,882,840</u>	<u>(19,615)</u>	<u>2,863,225</u>	<u>(56,925)</u>
Expenditures						
Current:						
Public works	2,923,593	3,028,803	2,843,495	(34,730)	2,808,765	220,038
Capital Outlay	1,252,000	1,252,000	733,346	31,642	764,988	487,012
Total Expenditures	<u>4,175,593</u>	<u>4,280,803</u>	<u>3,576,841</u>	<u>(3,088)</u>	<u>3,573,753</u>	<u>707,050</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,255,443)	(1,360,653)	(694,001)	(16,527)	(710,528)	650,125
Other Financing Sources	-	-	-	-	-	-
Net Change in Fund Balances	(1,255,443)	(1,360,653)	(694,001)	(16,527)	(710,528)	650,125
Fund Balances Beginning of Year	3,536,272	3,536,272	3,783,338	(44,770)	3,738,568	202,296
Fund Balances End of Year	<u>\$ 2,280,829</u>	<u>\$ 2,175,619</u>	<u>\$ 3,089,337</u>	<u>\$ (61,297)</u>	<u>\$ 3,028,040</u>	<u>\$ 852,421</u>

City of Ketchikan, Alaska
 Ketchikan Boat Harbor Fund
 Schedule of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual
 For the Year Ended December 31, 2015

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
Revenues						
Intergovernmental	\$ 24,000	\$ 24,000	\$ 146,709	\$ (63,688)	\$ 83,021	\$ 59,021
Charges for services	1,353,700	1,353,700	1,329,984	-	1,329,984	(23,716)
Fines and forfeitures	6,000	6,000	378	-	378	(5,622)
Investment earnings	-	-	175	-	175	175
Total Revenues	<u>1,383,700</u>	<u>1,383,700</u>	<u>1,477,246</u>	<u>(63,688)</u>	<u>1,413,558</u>	<u>29,858</u>
Expenditures						
Current:						
Port and harbor	1,135,829	1,137,029	1,129,429	(47,019)	1,082,410	54,619
Debt Service:						
Principal retirement	85,000	85,000	85,000	-	85,000	-
Interest and fiscal charges	118,775	118,775	118,775	-	118,775	-
Capital Outlay	<u>273,703</u>	<u>273,703</u>	<u>121,758</u>	<u>(44,984)</u>	<u>76,774</u>	<u>196,929</u>
Total Expenditures	<u>1,613,307</u>	<u>1,614,507</u>	<u>1,454,962</u>	<u>(92,003)</u>	<u>1,362,959</u>	<u>251,548</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(229,607)</u>	<u>(230,807)</u>	<u>22,284</u>	<u>28,315</u>	<u>50,599</u>	<u>281,406</u>
Other Financing Sources						
Transfer in harbor improvements fund	-	-	3,375	-	3,375	3,375
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>3,375</u>	<u>-</u>	<u>3,375</u>	<u>3,375</u>
Net Change in Fund Balances	<u>(229,607)</u>	<u>(230,807)</u>	<u>25,659</u>	<u>28,315</u>	<u>53,974</u>	<u>284,781</u>
Fund Balances Beginning of Year	<u>917,268</u>	<u>917,268</u>	<u>978,604</u>	<u>(55,731)</u>	<u>922,873</u>	<u>5,605</u>
Fund Balances End of Year	<u>\$ 687,661</u>	<u>\$ 686,461</u>	<u>\$ 1,004,263</u>	<u>\$ (27,416)</u>	<u>\$ 976,847</u>	<u>\$ 290,386</u>

City of Ketchikan, Alaska
Bayview Cemetery Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2015

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
Revenues						
Charges for services	\$ 16,500	\$ 16,500	\$ 9,570	\$ -	\$ 9,570	\$ (6,930)
Investment earnings	-	-	18	-	18	18
Total Revenues	<u>16,500</u>	<u>16,500</u>	<u>9,588</u>	<u>-</u>	<u>9,588</u>	<u>(6,912)</u>
Expenditures						
Current:						
Public works	24,000	24,000	10,459	5,075	15,534	8,466
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,500)	(7,500)	(871)	(5,075)	(5,946)	1,554
Other Financing Uses						
Transfers out						
General fund	(5,000)	(5,000)	(5,000)	-	(5,000)	-
Total Other Financing Sources	<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>	<u>(5,000)</u>	<u>-</u>
Net Change in Fund Balances	(12,500)	(12,500)	(5,871)	(5,075)	(10,946)	1,554
Fund Balances Beginning of Year	134,828	134,828	141,305	(425)	140,880	6,052
Fund Balances End of Year	<u>\$ 122,328</u>	<u>\$ 122,328</u>	<u>\$ 135,434</u>	<u>\$ (5,500)</u>	<u>\$ 129,934</u>	<u>\$ 7,606</u>

City of Ketchikan, Alaska
Commercial Passenger Vessel Tax Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2015

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
Revenues						
Intergovernmental	\$ 2,240,000	\$ 2,240,000	\$ 2,032,375	\$ -	\$ 2,032,375	\$ (207,625)
Total Revenues	2,240,000	2,240,000	2,032,375	-	2,032,375	(207,625)
Expenditures						
Current:						
Tourism	-	500	500	-	500	-
Excess of Revenues Over Expenditures	2,240,000	2,239,500	2,031,875	-	2,031,875	(207,625)
Other Financing Sources (Uses)						
Transfer in						
Port fund	1,600,000	1,619,258	1,619,258	-	1,619,258	-
Transfers out						
General fund	(88,250)	(88,250)	(65,637)	-	(65,637)	22,613
Major capital improvements fund	(2,316,600)	(2,574,830)	(2,535,407)	-	(2,535,407)	39,423
Harbor improvements fund	(1,400,000)	(1,151,761)	(1,151,761)	-	(1,151,761)	-
Total Other Financing Sources (Uses)	(2,204,850)	(2,195,583)	(2,133,547)	-	(2,133,547)	62,036
Net Change in Fund Balances	35,150	43,917	(101,672)	-	(101,672)	(145,589)
Fund Balances Beginning of Year	-	-	-	-	-	-
Fund Balances End of Year	\$ 35,150	\$ 43,917	\$ (101,672)	\$ -	\$ (101,672)	\$ (145,589)

City of Ketchikan, Alaska
Forfeitures And Property Seizures Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2015

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
Revenues						
Fines & Forfeitures	\$ -	\$ -	\$ 40,061	\$ -	\$ 40,061	\$ 40,061
Investment earnings	-	-	28	-	28	28
Total Revenues	-	-	40,089	-	40,089	40,089
Expenditures						
Current:						
Public safety	-	35,289	35,289	-	35,289	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(35,289)	4,800	-	4,800	40,089
Net Change in Fund Balances	-	(35,289)	4,800	-	4,800	40,089
Fund Balances Beginning of Year	162,737	162,737	162,752	-	162,752	15
Fund Balances End of Year	\$ 162,737	\$ 127,448	\$ 167,552	\$ -	\$ 167,552	\$ 40,104



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NONMAJOR DEBT SERVICE FUNDS

General Obligation Bond Debt Service Fund – This fund is used to accumulate funds for the payment of principal and interest on general obligation bonds not accounted for in enterprise funds.

City of Ketchikan, Alaska
Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Debt Service Fund
For the Year Ended December 31, 2015

	General Obligation Bond Debt Service
Revenues	
Miscellaneous income	\$ 132,479
Expenditures	
Debt Service:	
Principal retirement	\$ 3,540,000
Interest and fiscal charges	2,346,319
Bond issuance costs	17,468
Total Expenditures	5,903,787
Deficiency of Revenues Under Expenditures	(5,771,308)
Other Financing Sources	
Issuance of refunding bonds	2,280,000
Premiums from issuance of refunding bonds	101,300
Transfers in	
General fund	539,246
Sales tax hospital & other public works fund	2,524,917
Community facilities development fund	321,500
Hospital construction fund	4,345
Total Other Financing Sources	5,771,308
Net Change in Fund Balances	-
Fund Balances Beginning of Year	-
Fund Balances End of Year	\$ -

City of Ketchikan, Alaska
General Obligation Bond Debt Service Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Miscellaneous income	\$ 142,912	\$ 142,912	\$ 132,479	\$ (10,433)
Expenditures				
Debt Service:				
Principal retirement	1,230,000	1,230,000	3,540,000	(2,310,000)
Interest and fiscal charges	2,361,926	2,354,726	2,346,319	8,407
Debt issuance costs		7,200	17,468	(10,268)
Total Expenditures	3,591,926	3,591,926	5,903,787	(2,311,861)
Other Financing Sources				
Issuance of refunding bonds	-	-	2,280,000	2,280,000
Premiums from issuance of refunding bonds		-	101,300	101,300
Transfers in				
General fund	539,343	539,343	539,246	(97)
Sales tax hospital & other public works fund	2,598,700	2,598,700	2,524,917	(73,783)
Community facilities development fund	310,971	310,971	321,500	10,529
Hospital construction fund	-	-	4,345	4,345
Total Other Financing Sources	3,449,014	3,449,014	5,771,308	2,322,294
Net Change in Fund Balances	-	-	-	-
Fund Balances Beginning of Year	-	-	-	-
Fund Balances End of Year	\$ -	\$ -	\$ -	\$ -



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NONMAJOR CAPITAL IMPROVEMENT FUND

Major Capital Improvements Fund – This fund is used to account for the improvement, acquisition and construction of major capital assets as determined by the City Council.

Harbor Improvements Fund – This fund is used to account for the improvement, acquisition and construction of harbor facilities.

Community Facilities Development Fund – This fund is used to account for the acquisition and construction of major public facilities.

MAJOR CAPITAL IMPROVEMENT FUND ¹

Hospital Construction Fund – This fund is used to account for the construction of improvements to the Ketchikan Medical Center.

¹*This major fund schedule is provided for budgetary comparison purposes only.*

City of Ketchikan, Alaska
Combining Balance Sheet
Nonmajor Capital Project Fund
December 31, 2015

	Major Capital Improvements	Harbor Improvements	Community Facilities Development	Total Nonmajor Capital Projects Funds
Assets				
Cash and investments	\$ -	\$ 675,473	\$ 2,599,802	\$ 3,275,275
Restricted cash:				
Bond construction funds	-	75,892	194,316	270,208
Commercial passenger excise tax funds	1,437,784	863,762	-	2,301,546
Receivables:				
Intergovernmental	1,300,000	384,877		1,684,877
Advances from other funds	-	-	433,791	433,791
Total Assets	\$ 2,737,784	\$ 2,000,004	\$ 3,227,909	\$ 7,965,697
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 860,500	\$ 189,242	\$ -	\$ 1,049,742
Interfund payable	263,371	-	-	263,371
Advances to other funds	-	554,047	-	554,047
Total Liabilities	1,123,871	743,289	-	1,867,160
Fund Balances				
Restricted				
Commercial passenger excise tax funds	1,437,784	863,762	-	2,301,546
Bond construction funds	-	75,892	194,316	270,208
Assigned:				
Development of community facilities	-	-	3,033,593	3,033,593
Harbor projects	-	317,061	-	317,061
Public works projects	176,129	-	-	176,129
Total Fund Balances	1,613,913	1,256,715	3,227,909	6,098,537
Total Liabilities and Fund Balances	\$ 2,737,784	\$ 2,000,004	\$ 3,227,909	\$ 7,965,697

City of Ketchikan, Alaska
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Project Fund
For the Year Ended December 31, 2015

	Major Capital Improvements	Harbor Improvements	Community Facilities Development	Total Nonmajor Capital Projects Funds
Revenues				
Intergovernmental	\$ 1,567,379	\$ 2,488,233	\$ -	\$ 4,055,612
Investment earnings	346	2,420	28,303	31,069
Contributions	9,991	-	-	9,991
Total Revenues	1,577,716	2,490,653	28,303	4,096,672
Expenditures				
Capital Outlay:				
Culture and tourism	2,502,669	-	-	2,502,669
Public works	267,379	-	-	267,379
Port and harbors	-	5,312,228	-	5,312,228
Total Expenditures	2,770,048	5,312,228	-	8,082,276
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,192,332)	(2,821,575)	28,303	(3,985,604)
Other Financing Sources (Uses)				
Transfers out				
Harbor fund	-	(3,375)	-	(3,375)
Debt service fund	-	-	(321,500)	(321,500)
Transfers in				
Commercial passenger vessel tax fund	2,535,407	1,151,761	-	3,687,168
Total Other Financing Sources (Uses)	2,535,407	1,148,386	(321,500)	3,362,293
Net Change in Fund Balances	1,343,075	(1,673,189)	(293,197)	(623,311)
Fund Balances At Beginning of Year	270,838	2,929,904	3,521,106	6,721,848
Fund Balances At End of Year	\$ 1,613,913	\$ 1,256,715	\$ 3,227,909	\$ 6,098,537

City of Ketchikan, Alaska
 Major Capital Improvements Fund
 Project Schedule of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual
 For the Year Ended December 31, 2015

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
Revenues						
Intergovernmental	\$ 10,275,200	\$ 10,275,200	\$ 1,567,379	\$ -	\$ 1,567,379	\$ (8,707,821)
Investment earnings	-	-	346	-	346	346
Contributions	-	9,991	9,991	-	9,991	-
Total Revenues	<u>10,275,200</u>	<u>10,285,191</u>	<u>1,577,716</u>	<u>-</u>	<u>1,577,716</u>	<u>(8,707,475)</u>
Expenditures						
Culture and tourism	3,616,600	3,884,821	2,502,669	1,332,730	3,835,399	49,422
Public works	8,975,200	8,975,200	267,379	(274,160)	(6,781)	8,981,981
Total Expenditures	<u>12,591,800</u>	<u>12,860,021</u>	<u>2,770,048</u>	<u>1,058,570</u>	<u>3,828,618</u>	<u>9,031,403</u>
Deficiency of Revenues Under Expenditures	(2,316,600)	(2,574,830)	(1,192,332)	(1,058,570)	(2,250,902)	323,928
Other Financing Sources						
Transfer in	2,316,600	2,574,830	2,535,407	-	2,535,407	(39,423)
Total Other Financing Sources	<u>2,316,600</u>	<u>2,574,830</u>	<u>2,535,407</u>	<u>-</u>	<u>2,535,407</u>	<u>(39,423)</u>
Net Change in Fund Balances	-	-	1,343,075	(1,058,570)	284,505	284,505
Fund Balances Beginning of Year	74,116	74,116	270,838	(470,886)	(200,048)	(274,164)
Fund Balances End of Year	<u>\$ 74,116</u>	<u>\$ 74,116</u>	<u>\$ 1,613,913</u>	<u>\$ (1,529,456)</u>	<u>\$ 84,457</u>	<u>\$ 10,341</u>

City of Ketchikan, Alaska
Harbor Improvements Fund
Project Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2015

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
Revenues						
Intergovernmental	\$ 3,275,970	\$ 1,875,000	\$ 2,488,233	\$ -	\$ 2,488,233	\$ 613,233
Investment earnings	-	-	2,420	-	2,420	2,420
Contributions	-	-	-	-	-	-
Total Revenues	<u>3,275,970</u>	<u>1,875,000</u>	<u>2,490,653</u>	<u>-</u>	<u>2,490,653</u>	<u>615,653</u>
Expenditures						
Port and harbors	5,525,970	4,111,099	5,312,228	(1,363,807)	3,948,421	162,678
Total Expenditures	<u>5,525,970</u>	<u>4,111,099</u>	<u>5,312,228</u>	<u>(1,363,807)</u>	<u>3,948,421</u>	<u>162,678</u>
Deficiency of Revenues Under Expenditures	<u>(2,250,000)</u>	<u>(2,236,099)</u>	<u>(2,821,575)</u>	<u>1,363,807</u>	<u>(1,457,768)</u>	<u>778,331</u>
Other Financing Sources and (Uses)						
Transfer in						
Commercial passenger vessel tax	1,400,000	1,151,761	1,151,761	-	1,151,761	-
Transfers out						
Harbor	-	-	(3,375)	-	(3,375)	(3,375)
Advances from other funds	(607,500)	(607,500)	-	(607,500)	(607,500)	-
Bond issuance costs	-	-	-	-	-	-
Proceeds from sale of bonds	1,300,000	1,477,191	-	-	-	(1,477,191)
Total Other Financing Sources (Uses)	<u>2,092,500</u>	<u>2,021,452</u>	<u>1,148,386</u>	<u>(607,500)</u>	<u>540,886</u>	<u>(1,480,566)</u>
Net Change in Fund Balances	<u>(157,500)</u>	<u>(214,647)</u>	<u>(1,673,189)</u>	<u>756,307</u>	<u>(916,882)</u>	<u>(702,235)</u>
Fund Balances Beginning of Year	<u>1,121,133</u>	<u>1,121,133</u>	<u>2,929,904</u>	<u>(3,288,453)</u>	<u>(358,549)</u>	<u>(1,479,682)</u>
Fund Balances End of Year	<u>\$ 963,633</u>	<u>\$ 906,486</u>	<u>\$ 1,256,715</u>	<u>\$ (2,532,146)</u>	<u>\$ (1,275,431)</u>	<u>\$ (2,181,917)</u>

City of Ketchikan, Alaska
Community Facilities Development Fund
Project Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2015

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
Revenues						
Investment earnings	\$ 28,000	\$ 28,000	\$ 28,303	\$ -	\$ 28,303	\$ 303
Total Revenues	<u>28,000</u>	<u>28,000</u>	<u>28,303</u>	<u>-</u>	<u>28,303</u>	<u>303</u>
Other Financing Sources and (Uses)						
Transfers out						
Debt service fund	(310,971)	(310,971)	(321,500)	-	(321,500)	(10,529)
Advances to other funds	266,209	266,209		266,209	266,209	-
Total Other Financing Sources and (Uses)	<u>(44,762)</u>	<u>(44,762)</u>	<u>(321,500)</u>	<u>266,209</u>	<u>(55,291)</u>	<u>(10,529)</u>
Net Change in Fund Balances	(16,762)	(16,762)	(293,197)	266,209	(26,988)	(10,226)
Fund Balances Beginning of Year	<u>2,798,535</u>	<u>2,798,535</u>	<u>3,521,106</u>	<u>(700,000)</u>	<u>2,821,106</u>	<u>22,571</u>
Fund Balances End of Year	<u>\$ 2,781,773</u>	<u>\$ 2,781,773</u>	<u>\$ 3,227,909</u>	<u>\$ (433,791)</u>	<u>\$ 2,794,118</u>	<u>\$ 12,345</u>

City of Ketchikan, Alaska
Hospital Construction Fund
Project Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2015

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
Revenues						
Intergovernmental	\$ -	\$ -	\$ 6,109,130	\$ -	\$ 6,109,130	\$ 6,109,130
Contributions		1,885,807	1,500,000		1,500,000	(385,807)
Investment earnings	-	-	36,710	-	36,710	36,710
Total Revenues	-	1,885,807	7,645,840	-	7,645,840	5,760,033
Expenditures						
Health and welfare	10,303,997	12,189,804	32,275,741	(27,506,039)	4,769,702	7,420,102
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,303,997)	(10,303,997)	(24,629,901)	27,506,039	2,876,138	13,180,135
Other Financing Uses						
Transfers out					-	-
Debt service fund	-	-	(4,345)	-	(4,345)	(4,345)
Total Other Financing Uses	-	-	(4,345)	-	(4,345)	(4,345)
Net Change in Fund Balances	(10,303,997)	(10,303,997)	(24,634,246)	27,506,039	2,871,793	13,175,790
Fund Balances Beginning of Year	10,303,997	10,303,997	42,738,247	(38,729,042)	4,009,205	(6,294,792)
Fund Balances End of Year	\$ -	\$ -	\$ 18,104,001	\$ (11,223,003)	\$ 6,880,998	\$ 6,880,998



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GENERAL FUND

Due to the implementation of GASB Statement No. 54 the City has re-classified four of its special revenue funds to bring the City into compliance with the new standard. The Hospital Sales Tax, Public Works Sales Tax, Economic Development and Parking and Shoreline Funds are all considered to be general fund activity. The City has added this section to present the combining statements of the general fund and the individual budgetary fund statements. The general fund's individual budgetary statement is still presented as required supplementary information.

General Fund – This fund is used to account for all resources and activities of the City except those required to be accounted for in another fund.

Hospital Sales Tax and Other Public Works Fund – This fund is used to account for the proceeds of the sales tax levy that is restricted to the payment of costs of construction and maintenance of capital improvements under Section 3.04.130(b) of the Ketchikan Municipal Code.

Public Works Sales Tax and Other Public Works Fund – This fund is used to account for the proceeds of the sales tax levy that is restricted to the payment of costs of construction and maintenance of capital improvements under Section 3.04.130(a) of the Ketchikan Municipal Code.

Economic Development and Parking Fund – This fund is used to account for the proceeds from the sale of the Spruce Mill property. These proceeds must be used for economic development and the development of parking facilities as determined by the City Council.

Shoreline Fund – This fund is used to account for the assets and liabilities of the former Shoreline Service Area that were transferred to the City at the time the service area was annexed.

Community Grant Fund – This fund is used to account for grants given to community based non-profit humanitarian agencies as determined by the City Council.

City of Ketchikan, Alaska
Combining Balance Sheet
General Fund
December 31, 2015

	General	Hospital Sales Tax	Public Works Sales Tax
Assets			
Cash and temporary investments	\$ 7,027,539	\$ 5,003,814	\$ 5,405,395
Restricted cash - Investigation Funds	137,151	-	-
Receivables:			
Accounts	352,872	-	-
Taxes	947,939	499,945	749,918
Intergovernmental	44,284	-	-
Interfund	365,043	-	-
Advances from other funds	-	-	-
Land for resale	364,591	-	-
Total Assets	\$ 9,239,419	\$ 5,503,759	\$ 6,155,313
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts payable	\$ 733,658	\$ -	\$ 147,687
Payroll payable	1,782,719	-	-
Unearned revenue	131,998	-	-
Total Liabilities	2,648,375	-	147,687
Deferred Inflows of Resources	882,430	499,945	749,918
Fund Balances			
Nonspendable	364,591	-	-
Restricted	137,151	-	-
Assigned:			
Subsequent years budget	722,952	420,300	1,229,637
Parking development and abatement of dangerous buildings	-	-	-
Hospital development and expansion	-	4,583,514	-
General government	124,395	-	69,697
Public safety	28,465	-	471,211
Culture and tourism	36,271	-	363,455
Public works	107,259	-	-
Streets, sidewalks and other public projects	-	-	3,123,708
Unassigned	4,187,530	-	-
Total Fund Balances	5,708,614	5,003,814	5,257,708
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 9,239,419	\$ 5,503,759	\$ 6,155,313

Economic Development & Parking	Shoreline Services	Community Grant Fund	Totals
\$ 776,272	\$ 123,745	\$ 22,421	\$ 18,359,186
-	-	-	137,151
-	-	-	352,872
-	-	-	2,197,802
-	-	-	44,284
-	-	-	365,043
554,047	-	-	554,047
-	-	-	364,591
<u>\$ 1,330,319</u>	<u>\$ 123,745</u>	<u>\$ 22,421</u>	<u>\$ 22,374,976</u>
\$ 40,612	\$ -	\$ 10,014	\$ 931,971
-	-	-	1,782,719
-	-	-	131,998
<u>40,612</u>	<u>-</u>	<u>10,014</u>	<u>2,846,688</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,132,293</u>
-	-	-	364,591
-	-	-	137,151
-	6,334	-	2,379,223
1,289,707	-	-	1,289,707
-	-	-	4,583,514
-	-	12,407	206,499
-	117,411	-	617,087
-	-	-	399,726
-	-	-	107,259
-	-	-	3,123,708
-	-	-	4,187,530
<u>1,289,707</u>	<u>123,745</u>	<u>12,407</u>	<u>17,395,995</u>
<u>\$ 1,330,319</u>	<u>\$ 123,745</u>	<u>\$ 22,421</u>	<u>\$ 22,374,976</u>

City of Ketchikan, Alaska
 General Fund
 Combining Schedule of Revenues, Expenditures and
 Changes in Fund Balances
 For the Year Ended December 31, 2015

	General	Hospital Sales Tax	Public Works Sales Tax	Economic Development & Parking	Shoreline Services	Community Grant	Totals
Revenues							
Taxes							
Real & personal property taxes	\$ 5,851,759	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,851,759
Automobile & boat taxes	47,887	-	-	-	-	-	47,887
Penalty & interest	85,659	8,473	12,440	-	-	-	106,572
Senior citizen local contribution	(436,336)	-	-	-	-	-	(436,336)
Sales tax	4,285,469	2,856,980	4,285,469	-	-	-	11,427,918
Payments in lieu of taxes	12,164	-	-	-	-	-	12,164
	<u>9,846,602</u>	<u>2,865,453</u>	<u>4,297,909</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,009,964</u>
Licenses and permits							
Building permits	115,960	-	-	-	-	-	115,960
Other	1,745	-	-	-	-	-	1,745
	<u>117,705</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>117,705</u>
Intergovernmental							
Federal fire grants	100,890	-	-	-	-	-	100,890
Liquor licenses tax	31,250	-	-	-	-	-	31,250
Other state revenues	2,332,482	-	141,811	-	-	-	2,474,293
Federal revenues	2,000	-	-	-	-	-	2,000
	<u>2,466,622</u>	<u>-</u>	<u>141,811</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,608,433</u>
Charges for services							
Ambulance	571,134	-	-	-	-	-	571,134
Rentals	17,467	-	-	-	-	-	17,467
Parking fees	81,230	-	-	-	-	-	81,230
Cemetery	925	-	-	-	-	-	925
Library services	580,749	-	-	-	-	-	580,749
Museum services	202,447	-	-	-	-	-	202,447
E-911 emergency dispatch services	411,929	-	-	-	-	-	411,929
Civic center services	123,584	-	-	-	-	-	123,584
Other charges	57,645	-	-	-	-	-	57,645
	<u>2,047,110</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,047,110</u>
Fines and forfeitures							
Parking fines	86,796	-	-	-	-	-	86,796
Other fines	31,207	-	-	-	-	-	31,207
Court deposits	32,469	-	-	-	-	-	32,469
	<u>150,472</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>150,472</u>
Investment earnings	650	779	668	64	19	-	2,180
Other revenue							
Miscellaneous	141,766	2,678	78,253	100,500	-	52,560	375,757
Interdepartmental charges	3,138,615	-	-	-	-	-	3,138,615
Total Revenues	<u>17,909,542</u>	<u>2,868,910</u>	<u>4,518,641</u>	<u>100,564</u>	<u>19</u>	<u>52,560</u>	<u>25,450,236</u>

City of Ketchikan, Alaska
 General Fund
 Combining Schedule of Revenues, Expenditures and
 Changes in Fund Balances (Cont'd)
 For the Year Ended December 31, 2015

	General	Hospital Sales Tax	Public Works Sales Tax	Economic Development & Parking	Shoreline Services	Community Grant	Totals
Expenditures							
Current:							
General government							
Mayor and council	155,329	-	-	-	-	366,225	521,554
City Clerk	297,974	-	-	-	-	-	297,974
Law	345,818	-	-	-	-	-	345,818
City Manager	730,551	-	-	-	-	-	730,551
Finance	1,902,857	-	24,117	-	-	-	1,926,974
Information Technology	1,247,891	-	-	-	-	-	1,247,891
	<u>4,680,420</u>	<u>-</u>	<u>24,117</u>	<u>-</u>	<u>-</u>	<u>366,225</u>	<u>5,070,762</u>
Public safety							
Fire	3,671,825	-	83,744	-	-	-	3,755,569
Police	5,243,110	-	171,091	-	-	-	5,414,201
	<u>8,914,935</u>	<u>-</u>	<u>254,835</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,169,770</u>
Culture							
Library	1,387,510	-	-	-	-	-	1,387,510
Museum	845,551	-	112,771	-	-	-	958,322
Civic Center	449,305	-	137,370	-	-	-	586,675
Tourism and development	-	-	-	162,450	-	-	162,450
	<u>2,682,366</u>	<u>-</u>	<u>250,141</u>	<u>162,450</u>	<u>-</u>	<u>-</u>	<u>3,094,957</u>
Health and welfare							
Public Health	6,615	787,976	-	-	-	-	794,591
Public works							
Engineering	1,592,453	-	60,958	-	-	-	1,653,411
Streets	1,565,506	-	1,095,434	-	-	-	2,660,940
Cemetery	73,192	-	-	-	-	-	73,192
Garage	493,631	-	-	-	-	-	493,631
Building Maintenance	348,743	-	101,284	-	-	-	450,027
	<u>4,073,525</u>	<u>-</u>	<u>1,257,676</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,331,201</u>
Total Expenditures	<u>20,357,861</u>	<u>787,976</u>	<u>1,786,769</u>	<u>162,450</u>	<u>-</u>	<u>366,225</u>	<u>23,461,281</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,448,319)</u>	<u>2,080,934</u>	<u>2,731,872</u>	<u>(61,886)</u>	<u>19</u>	<u>(313,665)</u>	<u>1,988,955</u>

City of Ketchikan, Alaska
 General Fund
 Combining Schedule of Revenues, Expenditures and
 Changes in Fund Balances (Cont'd)
 For the Year Ended December 31, 2015

	General	Hospital Sales Tax	Public Works Sales Tax	Economic Development & Parking	Shoreline Services	Community Grant	Totals
Other Financing Sources (Uses)							
Transfers in							
Sales tax hospital and other public works fund	420,000	(420,000)	-	-	-	-	-
Sales tax public works fund	2,000,000	-	(2,000,000)	-	-	-	-
Transient occupancy tax fund	311,193	-	-	-	-	-	311,193
Shoreline area fund	6,374	-	-	-	(6,374)	-	-
Bayview cemetery fund	5,000	-	-	-	-	-	5,000
Commercial passenger vessel tax fund	65,637	-	-	-	-	-	65,637
Ketchikan public utilities fund	786,000	-	-	-	-	-	786,000
Port fund	319,000	-	-	-	-	-	319,000
Wastewater services fund	80,000	-	-	-	-	-	80,000
Transfers out							
General obligation bond debt service fund	(539,246)	(2,524,917)	-	-	-	-	(3,064,163)
Community grant fund	(203,917)	(48,750)	(73,125)	-	-	325,792	-
Sale of capital assets	66,691	-	-	-	-	-	66,691
Total Other Financing Sources (Uses)	3,316,732	(2,993,667)	(2,073,125)	-	(6,374)	325,792	(1,430,642)
Net Change in Fund Balances	868,413	(912,733)	658,747	(61,886)	(6,355)	12,127	558,313
Fund Balances Beginning of Year	4,840,201	5,916,547	4,598,961	1,351,593	130,100	280	16,837,682
Fund Balances End of Year	5,708,614	5,003,814	5,257,708	1,289,707	123,745	12,407	17,395,995

City of Ketchikan, Alaska
Sales Tax Hospital and Other Public Works Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2015

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
Revenues						
Taxes	\$ 2,945,000	\$ 2,945,000	\$ 2,856,980	\$ -	\$ 2,856,980	\$ (88,020)
Penalties and interest	13,500	13,500	8,473	-	8,473	(5,027)
Investment earnings	-	-	779	-	779	779
Miscellaneous	-	-	2,678	-	2,678	2,678
Total Revenues	<u>2,958,500</u>	<u>2,958,500</u>	<u>2,868,910</u>	<u>-</u>	<u>2,868,910</u>	<u>(89,590)</u>
Expenditures						
Current:						
Health and welfare	41,600	41,600	787,976	(788,504)	(528)	42,128
Total Expenditures	<u>41,600</u>	<u>41,600</u>	<u>787,976</u>	<u>(788,504)</u>	<u>(528)</u>	<u>42,128</u>
Excess of Revenues Over Expenditures	<u>2,916,900</u>	<u>2,916,900</u>	<u>2,080,934</u>	<u>788,504</u>	<u>2,869,438</u>	<u>(47,462)</u>
Other Financing Uses						
Transfers out						
General fund	(420,000)	(420,000)	(420,000)	-	(420,000)	-
Community grant fund	(48,750)	(48,750)	(48,750)	-	(48,750)	-
General obligation debt service fund	(2,598,700)	(2,598,700)	(2,524,917)	-	(2,524,917)	73,783
Total Other Financing Uses	<u>(3,067,450)</u>	<u>(3,067,450)</u>	<u>(2,993,667)</u>	<u>-</u>	<u>(2,993,667)</u>	<u>73,783</u>
Net Change in Fund Balances	(150,550)	(150,550)	(912,733)	788,504	(124,229)	26,321
Fund Balances Beginning of Year	5,084,443	5,084,443	5,916,547	(795,908)	5,120,639	36,196
Fund Balances End of Year	<u>\$ 4,933,893</u>	<u>\$ 4,933,893</u>	<u>\$ 5,003,814</u>	<u>\$ (7,404)</u>	<u>\$ 4,996,410</u>	<u>\$ 62,517</u>

City of Ketchikan, Alaska
Sales Tax Public Works Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2015

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
Revenues						
Taxes	\$ 4,417,500	\$ 4,417,500	\$ 4,285,469	\$ -	\$ 4,285,469	\$ (132,031)
Penalties and interest	20,000	20,000	12,440	-	12,440	(7,560)
Intergovernmental	-	141,810	141,811	-	141,811	1
Investment earnings	-	-	668	-	668	668
Miscellaneous	-	-	78,253	-	78,253	78,253
Total Revenues	<u>4,437,500</u>	<u>4,579,310</u>	<u>4,518,641</u>	<u>-</u>	<u>4,518,641</u>	<u>(60,669)</u>
Expenditures						
Current:						
General government						
Finance	20,000	20,000	24,117	(25,317)	(1,200)	21,200
Public safety						
Fire	167,794	260,627	83,744	32,700	116,444	144,183
Police	225,237	225,237	171,091	6,298	177,389	47,848
Culture						
Museum	132,822	132,822	112,771	(79,295)	33,476	99,346
Civic center	178,500	190,290	137,370	-	137,370	52,920
Public works						
Engineering	150,000	150,000	60,958	-	60,958	89,042
Streets	1,832,923	2,015,693	1,095,434	(102)	1,095,332	920,361
Garage	48,000	48,000	-	8,698	8,698	39,302
Building maintenance	80,000	95,090	101,284	(9,607)	91,677	3,413
Total Expenditures	<u>2,835,276</u>	<u>3,137,759</u>	<u>1,786,769</u>	<u>(66,625)</u>	<u>1,720,144</u>	<u>1,417,615</u>
Excess of Revenues Over Expenditures	1,602,224	1,441,551	2,731,872	66,625	2,798,497	1,356,946
Other Financing Uses						
Transfer out						
General fund	(2,000,000)	(2,000,000)	(2,000,000)	-	(2,000,000)	-
Community grant fund	(73,125)	(73,125)	(73,125)	-	(73,125)	-
Total Other Financing Uses	<u>(2,073,125)</u>	<u>(2,073,125)</u>	<u>(2,073,125)</u>	<u>-</u>	<u>(2,073,125)</u>	<u>-</u>
Net Change in Fund Balances	(470,901)	(631,574)	658,747	66,625	725,372	1,356,946
Fund Balances Beginning of Year	3,603,435	3,603,435	4,598,961	(558,615)	4,040,346	436,911
Fund Balances End of Year	<u>\$ 3,132,534</u>	<u>\$ 2,971,861</u>	<u>\$ 5,257,708</u>	<u>\$ (491,990)</u>	<u>\$ 4,765,718</u>	<u>\$ 1,793,857</u>

City of Ketchikan, Alaska
Economic Development & Parking Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2015

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
Revenues						
Miscellaneous	\$ -	\$ -	\$ 100,500	\$ -	\$ 100,500	\$ 100,500
Investment earnings	-	-	64	-	64	64
Total Revenues	-	-	100,564	-	100,564	100,564
Expenditures						
Current:						
Economic tourism and development	162,450	162,450	162,450	-	162,450	-
	162,450	162,450	162,450	-	162,450	-
Deficiency of Revenues Under Expenditures	(162,450)	(162,450)	(61,886)	-	(61,886)	100,564
Other Financing Uses						
Advances from harbor improvements fund	607,500	607,500	-	607,500	607,500	-
Total Other Financing Uses	607,500	607,500	-	607,500	607,500	-
Net Change in Fund Balances	445,050	445,050	(61,886)	607,500	545,614	100,564
Fund Balances Beginning of Year	178,261	178,261	1,351,593	(1,161,547)	190,046	11,785
Fund Balances End of Year	\$ 623,311	\$ 623,311	\$ 1,289,707	\$ (554,047)	\$ 735,660	\$ 112,349

City of Ketchikan, Alaska
Shoreline Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>(GAAP Basis) Actual</u>	<u>Reclassifications and Encumbrances</u>	<u>(Budgetary Basis) Actual</u>	<u>Variance Positive (Negative)</u>
Revenues						
Investment earnings	\$ -	\$ -	\$ 19	\$ -	\$ 19	\$ 19
Other Financing Uses						
General fund	(6,374)	(6,374)	(6,374)	-	(6,374)	-
Net Change in Fund Balances	(6,374)	(6,374)	(6,355)	-	(6,355)	19
Fund Balances Beginning of Year	130,104	130,104	130,100	-	130,100	(4)
Fund Balances End of Year	<u>\$ 123,730</u>	<u>\$ 123,730</u>	<u>\$ 123,745</u>	<u>\$ -</u>	<u>\$ 123,745</u>	<u>\$ 15</u>

City of Ketchikan, Alaska
Community Grant Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2015

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
Revenues						
Contributions	\$ 52,560	\$ 52,560	\$ 52,560	\$ -	\$ 52,560	\$ -
Total Revenues	52,560	52,560	52,560	-	52,560	-
Expenditures						
Current:						
Mayor and council	360,408	378,352	366,225	-	366,225	12,127
Deficiency of Revenues Under Expenditures	(307,848)	(325,792)	(313,665)	-	(313,665)	12,127
Other Financing Sources						
Transfers in						
General fund	185,973	203,917	203,917	-	203,917	-
Hospital sales tax fund	48,750	48,750	48,750	-	48,750	-
Public works sales tax fund	73,125	73,125	73,125	-	73,125	-
Total Other Financing Sources	307,848	325,792	325,792	-	325,792	-
Net Change in Fund Balances	-	-	12,127	-	12,127	12,127
Fund Balances Beginning of Year	280	280	280	-	280	-
Fund Balances End of Year	\$ 280	\$ 280	\$ 12,407	\$ -	\$ 12,407	\$ 12,127



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PROPRIETARY FUNDS

MAJOR ENTERPRISE FUNDS

Ketchikan Public Utilities Fund – This fund is used to account for the operations, maintenance, and capital improvements of Ketchikan Public Utilities, a combined utility that provides electric, telecommunications and water services.

Port Fund – This fund is used to account for the operations, maintenance, and capital improvements of the city-owned port facilities.

Wastewater Fund – This fund is used to account for the operations, maintenance, and capital improvements of the municipal wastewater collection and treatment utility system.

City of Ketchikan, Alaska
Ketchikan Public Utilities Fund
Comparative Statements of Net Position
December 31, 2015 and 2014

	2015	2014
Assets		
Current assets		
Cash and temporary investments	\$ 17,366,977	\$ 16,778,078
Restricted cash, cash equivalents and investments:		
Cash and temporary invest. - bond construction funds	-	208,971
Revenue bond redemption fund cash	1,163,963	1,099,448
Accounts receivable	\$ 3,211,671	
Less uncollectible accounts	(70,000)	2,123,406
Due from other governments	879,146	3,245,323
Prepaid expenses	14,897	17,165
Inventory of materials	2,955,547	3,012,369
Unbilled revenue	958,166	888,252
Total current assets	26,480,367	27,373,012
Noncurrent assets		
Restricted investments:		
Revenue bond reserve fund investments	1,586,000	1,678,041
Accrued interest receivable - bond reserve fund	2,796	-
Total noncurrent restricted assets	1,588,796	1,678,041
Utility plant in service:		
Land	2,722,866	2,722,866
Other non-depreciable assets	52,405	137,141
Construction work in progress	1,776,210	3,621,229
Plant in service	241,505,081	234,859,257
Less accumulated depreciation	(132,203,292)	(125,367,533)
Total capital assets (net of accumulated depreciation)	113,853,270	115,972,960
Total noncurrent assets	115,442,066	117,651,001
Total assets	141,922,433	145,024,013
Deferred outflow of resources	296,796	61,284
Total Assets and Deferred Outflow of Resources	\$ 142,219,229	\$ 145,085,297

City of Ketchikan, Alaska
Ketchikan Public Utilities Fund
Comparative Statements of Net Position
December 31, 2015 and 2014

	2015	2014
Liabilities		
Current liabilities		
Accounts payable	\$ 2,739,026	\$ 3,211,029
Accrued interest payable	160,022	295,856
Compensated absences payable	92,028	77,833
Customer deposits	370,940	363,508
Unearned revenue	27,482	54,310
Unamortized premiums	115,484	115,484
Revenue bonds payable	2,145,519	2,044,901
Advances to other funds	276,857	266,209
Total current liabilities	5,927,358	6,429,130
Noncurrent liabilities		
Accrued interest payable	4,278	4,498
Unamortized bond premium	1,497,244	1,612,728
Compensated absences payable	828,250	700,494
Net pension liability	2,753,822	-
Revenue bonds payable	21,899,945	23,976,441
Advances to other funds	3,456,934	3,733,791
Total noncurrent liabilities	30,440,473	30,027,952
Deferred inflow of resources	48,754	-
Total Liabilities and Deferred Inflows of Resources	36,416,585	36,457,082
Net position		
Net investment in capital assets	88,231,003	88,284,690
Restricted bonds construction funds	-	208,971
Restricted for bond retirement	2,655,331	2,699,009
Unrestricted	14,916,310	17,435,545
Total net position	105,802,644	108,628,215
Total liabilities and net position	\$ 142,219,229	\$ 145,085,297

City of Ketchikan, Alaska
Ketchikan Public Utilities Fund
Comparative Statements of Revenues, Expenses and
Changes in Net Position - by Service
For the Years Ended December 31, 2015 and 2014

	Total		Electric	
	2015	2014	2015	2014
Operating Revenues				
Services	\$37,043,159	\$35,659,553	\$16,087,247	\$16,323,845
Other	399,210	327,364	350,271	293,569
Total Operating Revenues	37,442,369	35,986,917	16,437,518	16,617,414
Operating Expenses				
Operation and maintenance	24,026,833	23,307,990	11,662,447	12,203,835
Administration and general	5,875,484	5,754,985	1,644,771	1,693,482
Depreciation	8,053,750	6,908,978	3,162,371	2,769,401
Total Operating Expenses	37,956,067	35,971,953	16,469,589	16,666,718
Operating Income (Loss)	(513,698)	14,964	(32,071)	(49,304)
Non-Operating Revenues (Expenses)				
Operating grants	537,986	459,899	126,366	133,143
Interest earnings	6,780	11,666	5,413	11,215
Revenue bond interest expense	(896,371)	(1,007,523)	(614,146)	(696,067)
Other interest expense	(17,934)	(17,314)	(14,200)	(12,693)
Total Non-Operating Revenue (Expenses)	(369,539)	(553,272)	(496,567)	(564,402)
Net Income (Loss) Before Contributions, Grants and Transfers	(883,237)	(538,308)	(528,638)	(613,706)
Capital contributions	172,852	144,259	98,245	66,795
Capital grants	775,730	7,009,852	-	6,491,142
Transfers out - payment in lieu of taxes	(786,000)	(786,000)	(381,993)	(381,993)
Total Contributions, Grants and Transfers	162,582	6,368,111	(283,748)	6,175,944
Change in Net Position	(720,655)	5,829,803	(\$812,386)	\$5,562,238
Net Position Beginning of Year, Restated	106,523,299	102,798,412		
Net Position End of Year	\$105,802,644	\$108,628,215		

Telecommunications		Water	
2015	2014	2015	2014
\$17,502,673	\$16,160,808	\$3,453,239	\$3,174,900
-	-	48,939	33,795
<u>17,502,673</u>	<u>16,160,808</u>	<u>3,502,178</u>	<u>3,208,695</u>
10,101,434	9,043,964	2,262,952	2,060,191
3,806,866	3,630,057	423,847	431,446
3,568,792	2,873,290	1,322,587	1,266,287
<u>17,477,092</u>	<u>15,547,311</u>	<u>4,009,386</u>	<u>3,757,924</u>
25,581	613,497	(507,208)	(549,229)
276,855	290,314	134,765	36,442
1,140	296	227	155
(160,000)	(160,702)	(122,225)	(150,754)
(3,734)	(4,621)	-	-
<u>114,261</u>	<u>125,287</u>	<u>12,767</u>	<u>(114,157)</u>
139,842	738,784	(494,441)	(663,386)
74,607	77,464	-	-
	7,564	775,730	511,146
(206,358)	(206,358)	(197,649)	(197,649)
(131,751)	(121,330)	578,081	313,497
<u>\$8,091</u>	<u>\$617,454</u>	<u>\$83,640</u>	<u>(\$349,889)</u>

City of Ketchikan, Alaska
Ketchikan Public Utilities Fund
Comparative Statements of Cash Flows
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities		
Cash received from customers and users	\$ 36,327,362	\$ 36,902,771
Cash payments to employees for services	(12,751,297)	(13,186,745)
Cash payments to suppliers for goods and services	(15,897,513)	(15,915,601)
Net Cash Provided by Operating Activities	<u>7,678,552</u>	<u>7,800,425</u>
Cash Flows from Noncapital Financing Activity		
Operating grant from other governments	537,986	459,899
Payment in lieu of taxes to the general fund	(786,000)	(786,000)
Net Cash Used by Noncapital Financing Activities	<u>(248,014)</u>	<u>(326,101)</u>
Cash Flows from Capital and Related Financing Activities		
Advances from other funds	(266,209)	-
Capital grant received from other governments	4,095,731	7,274,085
Capital debt proceeds	(711,949)	243,052
Principal paid on revenue bonds	(2,044,901)	(2,044,901)
Interest paid on revenue bonds	(1,140,484)	(1,106,833)
Payments for capital acquisitions and construction	(7,015,707)	(15,630,422)
Net Cash Used by Capital and Related Financing Activities	<u>(7,083,519)</u>	<u>(11,265,019)</u>
Cash Flows from Investing Activities		
Investment earnings	5,383	7,559
Proceeds from bond reserve fund investments	92,041	80,637
Net Cash Flows Provided by Investing Activities	<u>97,424</u>	<u>88,196</u>
Net Increase (Decrease) in Cash and Cash Equivalents	444,443	(3,702,499)
Cash and Cash Equivalents Beginning of Year	<u>18,086,497</u>	<u>21,788,996</u>
Cash and Cash Equivalents End of Year	<u>\$ 18,530,940</u>	<u>\$ 18,086,497</u>
Reconciliation of Cash and Cash Equivalents to the Balance Sheet:		
Cash and temporary investments - current assets	17,366,977	16,778,078
Bond construction fund cash - restricted	-	208,971
Revenue bond redemption fund - restricted	1,163,963	1,099,448
	<u>\$ 18,530,940</u>	<u>\$ 18,086,497</u>

(continued)

City of Ketchikan, Alaska
 Ketchikan Public Utilities Fund
 Comparative Statements of Cash Flows
 For the Years Ended December 31, 2015 and 2014

(continued)

	<u>2015</u>	<u>2014</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	\$ (513,698)	\$ 14,964
Adjustments:		
Depreciation	8,053,750	6,908,978
Other	328,215	129,629
(Increase) Decrease in Assets:		
Accounts receivable	(1,018,265)	404,722
Unbilled revenue	(69,914)	443,818
Prepaid expenses	2,268	2,647
Inventory	56,822	105,514
Customer deposits	7,432	(3,152)
Increase (Decrease) in Liabilities:		
Accounts payable	280,030	(169,729)
Compensated absences payable	141,951	(14,485)
Deferred outflow of resources for pension	436,789	-
Unearned revenue	(26,828)	(22,481)
Net Cash Provided by Operating Activities	<u>\$ 7,678,552</u>	<u>\$ 7,800,425</u>
Noncash investing, capital and financing activities		
Fair value of non-cash investments	\$ -	\$ -
Revenue bond arbitrage	1,400	4,107

City of Ketchikan, Alaska
Ketchikan Public Utilities Fund
Comparative Schedules of Revenues
For the Years Ended December 31, 2015 and 2014

	2015		2014	
	Amount	Total	Amount	Total
Electric Department				
Revenue from Services:				
Residential	\$6,752,943		\$6,796,723	
Boats	279,072		298,227	
Commercial	6,584,210		6,690,774	
Industrial	1,784,436		1,750,002	
Demand	507,363		514,972	
Area Lighting	50,076		49,172	
Street Lighting	129,143		127,692	
Diesel Surcharge	4	\$16,087,247	96,283	\$16,323,845
Other Revenue:				
Service Charges	110,341		110,175	
Late Payment Charges	67,244		25,819	
Rentals - Interdepartmental	154,217		154,217	
Other	18,469	350,271	3,358	293,569
Total Electric		<u>16,437,518</u>		<u>16,617,414</u>
Telecommunications Department				
Local Network Services:				
Basic Local Service	857,251		841,666	
Local Private Line	869,780		859,765	
Other Local Exchange	303,624	2,030,655	304,090	2,005,521
Network Access Services:				
Interstate End User	966,265		886,051	
Switched Access	5,197,862		5,215,493	
Special Access	1,746,940		1,586,174	
State Access	1,502,254	9,413,321	1,571,991	9,259,709
Other Revenues:				
Directory Revenue	293,681		328,528	
Other	168,145	461,826	170,818	499,346
Nonregulated Revenues	5,596,871	5,596,871	4,396,232	4,396,232
Total Telecommunications		<u>\$ 17,502,673</u>		<u>\$ 16,160,808</u>

City of Ketchikan, Alaska
Ketchikan Public Utilities Fund
Comparative Schedules of Revenues (Cont'd)
For the Years Ended December 31, 2015 and 2014

	2015		2014	
	Amount	Total	Amount	Total
Water Department				
Revenue from Services:				
Residential	\$1,521,500		\$1,377,255	
Apartments	327,663		294,082	
Commercial	1,208,718		1,102,474	
Industrial	236,283		228,401	
Port	159,075	\$3,453,239	172,688	\$3,174,900
Other Revenue:				
Service Charges	711		304	
Late Payment Charges	16,897		4,504	
Other	31,331	48,939	28,987	33,795
Total Water		<u>3,502,178</u>		<u>3,208,695</u>
Total Revenue		<u>\$37,442,369</u>		<u>\$35,986,917</u>

City of Ketchikan, Alaska
Ketchikan Public Utilities Fund
Comparative Schedules of Operation and Maintenance Expenses
For the Years Ended December 31, 2015 and 2014

	2015		2014	
	Amount	Total	Amount	Total
Electric Department				
Hydroelectric Generation				
Operation				
Supervision & Engineering	\$1,030,176		\$980,751	
Hydraulic Expenses	61,380		72,093	
Electric Expenses	13,506	1,105,062	28,462	1,081,306
Maintenance				
Supervision & Engineering	-		808	
Structures	83,391		38,976	
Reservoirs & Dams	190,900		104,100	
Electric Plant	118,503		133,543	
Other	161,302	554,096	241,178	518,605
Total Hydroelectric Generation		1,659,158		1,599,911
Diesel Generation				
Operation				
Fuel	244,621		424,597	
Generation	14,666		17,591	
Other	469,593	728,880	439,272	881,460
Maintenance				
Supervision and Engineering	110,130		114,079	
Structures	47,550		28,370	
Electric Plant	148,403		99,632	
Other	154,851	460,934	178,574	420,655
Total Diesel Generation		1,189,814		1,302,115
Purchased Power		5,381,319		5,674,201
Automation Control System		288,903		305,068
Total Generation		8,519,194		8,881,295
Transmission				
Operation				
Overhead and Underground Lines	\$580	580	\$5,970	5,970
Total Transmission		\$580		\$5,970

City of Ketchikan, Alaska
Ketchikan Public Utilities Fund
Comparative Schedules of Operation and Maintenance Expenses (Cont'd)
For the Years Ended December 31, 2015 and 2014

	2015		2014	
	Amount	Total	Amount	Total
Distribution				
Operation				
Supervision & Engineering	\$921,752		\$920,730	
Station Equipment	4,796		17,440	
Overhead & Underground Lines	1,025		3,346	
Street Lighting	155,652		80,391	
Meter Expenses	558,465		596,981	
Customer Installations	2,322		0	
Other	47,085	\$1,691,097	40,040	\$1,658,928
Maintenance				
Station Equipment	24,225		67,655	
Overhead & Underground Lines	1,330,831		1,402,195	
Line Transformers	3,318		7,547	
Other	93,202	1,451,576	180,245	1,657,642
Total Distribution		3,142,673		3,316,570
Total Electric		11,662,447		12,203,835
Telecommunications Department				
Plant Specific Operations:				
Network Support	207,379		197,142	
General Support	99,301		128,063	
Central Office Switching	461,592		435,678	
Central Office Transmission	1,210,885		983,042	
Cable and Wire Facilities Expense	723,929	2,703,086	828,528	2,572,453
Plant Nonspecific Operations				
Network Operations Expense	2,512,650	2,512,650	2,164,821	2,164,821
Customer Operations				
Customer Operations-Services	107,807	107,807	104,679	104,679
Nonregulated Operations Expenses	\$4,777,891	4,777,891	\$4,202,011	4,202,011
Total Telecommunications		\$10,101,434		\$9,043,964

City of Ketchikan, Alaska
Ketchikan Public Utilities Fund
Comparative Schedule of Operation and Maintenance Expenses (Cont'd)
For the Years Ended December 31, 2015 and 2014

	2015		2014	
	Amount	Total	Amount	Total
Water Department				
Source of Supply				
Operation and Maintenance	\$423,407	\$423,407	\$393,529	\$393,529
Chlorination				
Labor and Supplies	145,201		170,944	
Maintenance	110,197	255,398	140,310	311,254
Distribution				
Supervision & Operation of Mains	6,292		419	
Maps & Records	403,584		397,436	
Customer Service	-	409,876	139	397,994
Maintenance				
Mains & Equipment	682,304		398,717	
Hydrants	4,697		3,177	
Valves & Structures	23,608		15,764	
Pump Stations	104,875		81,019	
PH Adjustment Facility	331,947		397,252	
Reservoirs	\$26,840	1,174,271	\$61,485	957,414
Total Water		2,262,952		2,060,191
Total Operation and Maintenance		\$24,026,833		\$23,307,990

City of Ketchikan, Alaska
Ketchikan Public Utilities Fund
Comparative Schedules of Administrative and General Expenses
For the Years Ended December 31, 2015 and 2014

	2015	2014
Customer Service	\$1,992,754	\$1,907,327
General Accounting	799,213	828,994
Administrative Expenses	2,157,276	2,153,181
Engineering Services	99,069	92,427
Information Technology	630,572	602,114
Insurance & Claims	196,600	170,942
Total	\$5,875,484	\$5,754,985

City of Ketchikan, Alaska
Port Fund
Comparative Statements of Net Position
December 31, 2015 and 2014

	2015	2014
Assets		
Current assets		
Cash and temporary investments	\$ 6,420,791	\$ 5,504,277
Restricted cash, cash equivalents and investments:		
Debt service	824,743	845,762
Commercial passenger excise tax	-	1,619,258
Accounts receivable	408,450	95,333
Interest receivable	-	108,000
Prepaid expense	1,113,090	1,021,346
Total Current assets	8,767,074	9,193,976
Noncurrent assets		
Restricted investments:		
Repair and replacement investments	4,192,162	3,664,611
Bond reserve investments	2,560,597	2,592,786
Accrued interest on bond reserve investments	4,990	1,684
Total restricted assets	<u>6,757,749</u>	<u>6,259,081</u>
Internal Receivable	<u>2,700,000</u>	<u>2,700,000</u>
Capital assets		
Land	1,775,740	1,775,740
Other non-depreciable assets	169,361	169,361
Construction work in progress	439,032	200,947
Port facilities	66,612,660	66,593,984
Accumulated depreciation	(15,623,409)	(14,057,181)
Total capital assets (net of accumulated depreciation)	<u>53,373,384</u>	<u>54,682,851</u>
Total noncurrent assets	62,831,133	63,641,932
Deferred outflows of resources	<u>42,389</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	\$ 71,640,596	\$ 72,835,908

City of Ketchikan, Alaska
Port Fund
Comparative Statements of Net Position
December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 75,900	\$ 87,318
Accrued interest payable	139,674	144,021
Compensated absences payable	3,351	3,130
Unamortized premiums	28,561	28,561
Revenue bonds payable	930,000	885,000
Total current liabilities	<u>1,177,486</u>	<u>1,148,030</u>
Noncurrent liabilities		
Compensated absences payable	30,159	28,173
Net pension liability	449,932	-
Unamortized bond premium	540,278	568,839
Revenue bonds payable	30,845,000	31,775,000
Total noncurrent liabilities	<u>31,865,369</u>	<u>32,372,012</u>
Deferred inflows of resources	<u>7,966</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>33,050,821</u>	<u>33,520,042</u>
Net position		
Net investment in capital assets	21,029,545	21,425,451
Restricted repair and replacement funds	4,192,162	3,664,611
Restricted commercial passenger excise tax funds	-	1,619,258
Restricted for bond retirement	3,250,656	3,296,211
Unrestricted	10,117,412	9,310,335
Total net position	<u>38,589,775</u>	<u>39,315,866</u>
Total Liabilities and Net Position	<u>\$ 71,640,596</u>	<u>\$ 72,835,908</u>



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City of Ketchikan, Alaska
Port Fund
Comparative Statements of Revenues, Expenses and
Changes in Net Position
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating Revenues		
Charges for services		
Docking	\$1,782,260	\$1,770,044
Passenger wharfage fee	6,504,788	6,110,005
Rental income	403,493	406,748
Water	212,200	230,250
Other	129,530	61,012
Total Operating Revenues	<u>9,032,271</u>	<u>8,578,059</u>
Operating Expenses		
Operation and maintenance		
Personnel services	1,080,838	1,076,322
Supplies and services	492,906	403,784
Financial service	167,018	166,378
Insurance	180,650	159,376
Utilities	277,294	285,512
Property Taxes	165,399	165,412
Lease payments	2,271,974	2,469,731
Depreciation	1,589,941	1,587,253
Total Operating Expenses	<u>6,226,020</u>	<u>6,313,768</u>
Operating Income	<u>2,806,251</u>	<u>2,264,291</u>
Non-Operating Revenues (Expenses)		
Operating grants - CPV funds	-	2,409,395
Operating grants	70,425	81,902
Interest earnings	87,016	117,529
Interest expense	(1,658,179)	(1,699,246)
Loss on disposal of capital assets	(27,082)	(2,999,297)
Total Non-Operating Revenue (Expenses)	<u>(1,527,820)</u>	<u>(2,089,717)</u>
Net Income Before Grants and Transfers	1,278,431	174,574
Capital grants	277,647	4,407,753
Net Income Before Transfers	1,556,078	4,582,327
Transfers Out		
Payment in lieu of taxes to general fund	(319,000)	(319,000)
Transfer to general fund	-	(111,642)
Transfer to commercial passenger vessel tax fund	(1,619,258)	-
Transfer to major capital improvements fund	-	(4,907,162)
Total Transfers Out	<u>(1,938,258)</u>	<u>(5,337,804)</u>
Change in Net Position	(382,180)	(755,477)
Net Position Beginning of Year, Restated	<u>38,971,955</u>	<u>40,071,343</u>
Net Position End of Year	<u>\$38,589,775</u>	<u>\$39,315,866</u>

City of Ketchikan, Alaska
Port Fund
Comparative Statements of Cash Flows
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities		
Cash received from customers and users	\$ 8,877,459	\$ 8,506,186
Cash payments to employees for services	(936,608)	(994,641)
Cash payments to suppliers for goods and services	<u>(3,700,936)</u>	<u>(3,606,578)</u>
Net Cash Provided by Operating Activities	<u>4,239,915</u>	<u>3,904,967</u>
Cash Flows from Noncapital Financing Activities		
Operating grant from other governments	70,425	2,491,297
Transfers out	(1,619,258)	(5,018,804)
Payment in lieu of taxes to the general fund	<u>(319,000)</u>	<u>(319,000)</u>
Net Cash Used by Noncapital Financing Activities	<u>(1,867,833)</u>	<u>(2,846,507)</u>
Cash Flows from Capital and Related Financing Activities		
Proceeds from the disposition of capital assets	-	76
Loss on disposal of capital asset	27,082	-
Capital grant received from other governments	119,341	7,230,723
Principal paid on revenue bonds	(885,000)	(845,000)
Interest paid on revenue bonds	(1,691,087)	(1,731,226)
Payments for capital acquisitions and construction	<u>(362,529)</u>	<u>(990,081)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(2,792,193)</u>	<u>3,664,492</u>
Cash Flows from Investing Activities		
Investment earnings	191,710	4,355
Sale of investments	32,189	(3,495)
Purchase of investments	<u>(527,551)</u>	<u>(521,051)</u>
Net Cash Used by Investing Activities	<u>(303,652)</u>	<u>(520,191)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(723,763)	4,202,761
Cash and Cash Equivalents Beginning of Year	<u>7,969,297</u>	<u>3,766,536</u>
Cash and Cash Equivalents End of Year	<u>\$ 7,245,534</u>	<u>\$ 7,969,297</u>
Reconciliation of Cash and Cash Equivalents to the Balance Sheet:		
Cash and temporary investments - current assets	6,420,791	5,504,277
Commercial passenger excise tax funds - restricted	-	1,619,258
Revenue bond redemption fund - restricted	<u>824,743</u>	<u>845,762</u>
	<u>\$ 7,245,534</u>	<u>\$ 7,969,297</u>

(continued)

City of Ketchikan, Alaska
Port Fund
Comparative Statements of Cash Flows
For the Years Ended December 31, 2015 and 2014

(continued)

	<u>2015</u>	<u>2014</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	\$ 2,806,251	\$ 2,264,291
Adjustments:		
Depreciation	1,589,941	1,587,253
(Increase) Decrease in Assets:		
Accounts receivable	(154,812)	(71,873)
Prepaid expenses	(91,744)	102,996
Increase (Decrease) in Liabilities:		
Accounts payable	16,474	22,521
Compensated absences payable	2,207	(221)
Net pension liability	71,598	-
Net Cash Provided by Operating Activities	<u>\$ 4,239,915</u>	<u>\$ 3,904,967</u>
Noncash investing, capital and financing activities		
Fair value of non-cash investments	\$ 60,314	\$ -

City of Ketchikan, Alaska
Wastewater Services Fund
Comparative Statements of Net Position
December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
Current assets		
Cash and temporary investments	\$ 1,614,382	\$ 998,442
Restricted cash, cash equivalents and investments:		
Debt service	54,520	17,992
Accounts receivable		
Accounts	165,164	147,287
Intergovernmental		639,240
Unbilled revenue	133,612	122,886
Total current assets	<u>1,967,678</u>	<u>1,925,847</u>
Noncurrent assets		
Capital assets		
Construction work in progress	347,850	480,474
Wastewater facilities	24,659,337	24,648,869
Accumulated depreciation	(7,782,065)	(7,352,995)
Total capital assets (net of accumulated depreciation)	<u>17,225,122</u>	<u>17,776,348</u>
Total noncurrent assets	<u>17,225,122</u>	<u>17,776,348</u>
Deferred outflow of resources	<u>12,206</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 19,205,006</u>	<u>\$ 19,702,195</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 62,367	\$ 65,913
Accrued interest	36,107	4,297
Compensated absences payable	3,466	3,497
General obligation bonds payable	96,531	68,032
Revenue bonds payable	13,752	13,548
Total current liabilities	<u>212,223</u>	<u>155,287</u>
Noncurrent liabilities		
Accrued interest payable	-	7,081
Compensated absences payable	31,196	31,474
Net pension liability	124,574	-
General obligation bonds payable	1,875,495	2,643,938
Revenue bonds payable	268,163	281,915
Total noncurrent liabilities	<u>2,299,428</u>	<u>2,964,408</u>
Deferred inflow of resources	<u>2,205</u>	<u>-</u>
Total Liabilities and Deferred Inflow of Resources	<u>2,513,856</u>	<u>3,119,695</u>
Net position		
Net investment in capital assets	14,971,181	14,768,915
Restricted for bond retirement	18,413	6,614
Unrestricted	1,701,556	1,806,971
Total net position	<u>16,691,150</u>	<u>16,582,500</u>
Total Liabilities and Net Position	<u>\$ 19,205,006</u>	<u>\$ 19,702,195</u>

City of Ketchikan, Alaska
Wastewater Services Fund
Comparative Statements of Revenues, Expenses and
Changes in Net Position
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating Revenues		
Charges for services	\$ 2,757,661	\$ 2,575,541
Other	16,591	(500)
Total Operating Revenues	<u>2,774,252</u>	<u>2,575,041</u>
Operating Expenses		
Operation and maintenance		
Personnel services	822,256	843,523
Supplies and services	581,975	537,935
Engineering services	227,562	258,857
Financial service	199,215	177,517
Insurance	22,318	16,606
Utilities	185,427	185,695
Depreciation	452,045	427,712
Total Operating Expenses	<u>2,490,798</u>	<u>2,447,845</u>
Operating Income (Loss)	<u>283,454</u>	<u>127,196</u>
Non-Operating Revenues (Expenses)		
Operating grants	21,793	22,636
Interest earnings	170	(28)
Interest expense	(49,923)	(29,402)
Loss on disposal of capital asset	(142,395)	-
Total Non-Operating Revenues (Expenses)	<u>(170,355)</u>	<u>(6,794)</u>
Net Loss Before Grants and Transfers	113,099	120,402
Grants and Transfers		
Capital grants	170,771	699,200
Transfers out - payment in lieu of taxes	(80,000)	(80,000)
Total Grants and Transfers	<u>90,771</u>	<u>619,200</u>
Change in Net Position	203,870	739,602
Net Position Beginning of Year, Restated	<u>16,487,280</u>	<u>15,842,898</u>
Net Position End of Year	<u>\$16,691,150</u>	<u>\$16,582,500</u>

City of Ketchikan, Alaska
Wastewater Services Fund
Comparative Statements of Cash Flows
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities		
Cash received from customers and users	\$ 2,745,647	\$ 2,423,272
Cash payments to employees for services	(803,212)	(814,024)
Cash payments to suppliers for goods and services	(1,194,160)	(1,197,360)
Net Cash Provided by Operating Activities	<u>748,275</u>	<u>411,888</u>
Cash Flows from Noncapital Financing Activities		
Operating grant from other governments	21,793	22,636
Payment in lieu of taxes to the general fund	(80,000)	(80,000)
Net Cash Used by Noncapital Financing Activities	<u>(58,207)</u>	<u>(57,364)</u>
Cash Flows from Capital and Related Financing Activities		
Capital grant received from other governments	810,011	1,275,257
Capital debt proceeds	-	28,564
Principal paid on general obligation bonds and equipment contracts	(739,944)	(80,371)
Interest paid on general obligation bonds and equipment contracts	(20,813)	(38,995)
Principal paid on revenue bonds	(13,548)	-
Interest paid on revenue bonds	(4,381)	-
Loss of the disposition of capital assets	142,395	-
Payments for capital acquisitions and construction	(211,490)	(629,650)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(37,770)</u>	<u>554,805</u>
Cash Flows from Investing Activities		
Investment earnings	170	(28)
Net Cash Provided (Used) by Investing Activities	<u>170</u>	<u>(28)</u>
Net Increase in Cash and Cash Equivalents	652,468	909,301
Cash and Cash Equivalents Beginning of Year	<u>1,016,434</u>	<u>107,133</u>
Cash and Cash Equivalents End of Year	<u>\$ 1,668,902</u>	<u>\$ 1,016,434</u>
Reconciliation of Cash and Cash Equivalents to the Balance Sheet:		
Cash and temporary investments - current assets	1,614,382	998,442
Revenue bond redemption fund - restricted	54,520	17,992
	<u>\$ 1,668,902</u>	<u>\$ 1,016,434</u>

(continued)

City of Ketchikan, Alaska
Wastewater Services Fund
Comparative Statements of Cash Flows
For the Years Ended December 31, 2015 and 2014

(continued)

	2015	2014
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	\$ 283,454	\$ 127,196
Adjustments:		
Depreciation	452,045	427,712
(Increase) in Assets:		
Accounts receivable	(17,878)	(147,287)
Unbilled revenue	(10,726)	(4,482)
Increase (Decrease) in Liabilities:		
Accounts payable	22,336	1,886
Compensated absences payable	(309)	6,863
Net pension liability	19,353	-
Net Cash Provided by Operating Activities	\$ 748,275	\$ 411,888



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INTERNAL SERVICE FUNDS

Self-Insurance Fund - This fund accounts for claims not covered by the City's insurance policies.

Compensated Absences Fund – The fund accounts for the accumulation of resources used to pay for compensated absences of employees accounted for in governmental funds.

City of Ketchikan, Alaska
Combining Statement of Net Position
Internal Service Funds
December 31, 2015

	<u>Self-Insurance</u>	<u>Compensated Absences</u>	<u>Total Internal Service Funds</u>
Assets			
Current Assets:			
Cash and cash equivalents	\$ 628,023	\$ 1,407,254	\$ 2,035,277
Miscellaneous receivable	33,171	-	33,171
Interest receivable	-	-	-
Prepaid insurance	614,719	-	614,719
Total Current Assets	<u>1,275,913</u>	<u>1,407,254</u>	<u>2,683,167</u>
Noncurrent Assets:			
Internal Receivable	600,000	-	600,000
Total Noncurrent Assets	<u>600,000</u>	<u>-</u>	<u>600,000</u>
Total Assets	<u>\$ 1,875,913</u>	<u>\$ 1,407,254</u>	<u>\$ 3,283,167</u>
Liabilities			
Current Liabilities:			
Accounts payable	16,171	-	16,171
Compensated absences payable	-	140,725	140,725
Claims payable	143,000	-	143,000
Total Current Liabilities	<u>159,171</u>	<u>140,725</u>	<u>299,896</u>
Noncurrent Liabilities:			
Compensated absences payable (net of current portion)	-	1,266,529	1,266,529
Total Liabilities	<u>159,171</u>	<u>1,407,254</u>	<u>1,566,425</u>
Net Position			
Unrestricted	<u>\$ 1,716,742</u>	<u>\$ -</u>	<u>\$ 1,716,742</u>

City of Ketchikan, Alaska
Combining Statement of Revenues,
Expenses and Changes in Net Position
Internal Service Funds
For the Year Ended December 31, 2015

	<u>Self-Insurance</u>	<u>Compensated Absences</u>	<u>Total Internal Service Funds</u>
Operating Revenues			
Charges for services	\$ 1,255,552	\$ 1,218,334	\$ 2,473,886
Miscellaneous income	24,066	-	24,066
Total Revenues	<u>1,279,618</u>	<u>1,218,334</u>	<u>2,497,952</u>
Operating Expenses			
Compensated absences	-	1,218,334	1,218,334
Insurance	1,224,369	-	1,224,369
Claims	31,183	-	31,183
Total Operating Expenses	<u>1,255,552</u>	<u>1,218,334</u>	<u>2,473,886</u>
Operating Income	<u>24,066</u>	<u>-</u>	<u>24,066</u>
Change in Net Position	24,066	-	24,066
Net Position Beginning of Year	<u>1,692,676</u>	<u>-</u>	<u>1,692,676</u>
Net Position End of Year	<u>\$ 1,716,742</u>	<u>\$ -</u>	<u>\$ 1,716,742</u>

City of Ketchikan, Alaska
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2015

	<u>Self-Insurance</u>	<u>Compensated Absences</u>	<u>Total Internal Service Funds</u>
Cash Flows from Operating Activities			
Cash received from customers and users	\$ 1,279,618	\$ 1,218,334	\$ 2,497,952
Cash payments for insurance and claims	(1,356,720)	-	(1,356,720)
Cash payments for compensated absences	-	(1,138,370)	(1,138,370)
Net Cash Provided (Used) by Operating Activities	<u>(77,102)</u>	<u>79,964</u>	<u>2,862</u>
Cash Flows from Investing Activities			
Interest on investments	24,000	-	24,000
Net Cash Used by Investing Activities	<u>24,000</u>	<u>-</u>	<u>24,000</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(53,102)	79,964	26,862
Cash and Cash Equivalents Beginning of Year	<u>681,125</u>	<u>1,327,290</u>	<u>2,008,415</u>
Cash and Cash Equivalents End of Year	<u>\$ 628,023</u>	<u>\$ 1,407,254</u>	<u>\$ 2,035,277</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities			
Operating Income	\$ 24,066	\$ -	\$ 24,066
Decrease in Assets:			
Accounts receivable	(33,171)	-	(33,171)
Prepaid expenses	31,230	-	31,230
Increase (Decrease) in Liabilities:			
Accounts payable	(99,227)	-	(99,227)
Compensated absences payable	-	79,964	79,964
Claims payable	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>\$ (77,102)</u>	<u>\$ 79,964</u>	<u>\$ 2,862</u>

CITY OF KETCHIKAN, ALASKA

(Page 1 of 2)

COMBINED SCHEDULE OF CASH AND INVESTMENTS BALANCES - ALL FUNDS

Year Ended December 31, 2015

Cash and Investment Balances

Cash in Revenue Bond Redemption Accounts	\$2,033,779
Cash in Petty Cash Funds	9,770
Cash in Other Accounts	<u>56,532,133</u>

Total Cash	<u><u>58,575,682</u></u>
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Investments

Investments with Financial Institutions	<u>31,762,339</u>
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Total Investments	<u><u>\$31,762,339</u></u>
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Total Cash and Investments		<u><u>\$90,338,021</u></u>
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General Fund

Unrestricted Funds	\$7,027,539	
Investigation Funds	137,151	\$7,164,690

Special Revenue Funds

Sales Tax Hospital Fund	5,003,814	
Sales Tax Public Works Fund	5,405,395	
Economic Development Parking Fund	776,272	
Transient Tax Fund	142,226	
Solid Waste Services Fund	3,059,791	
Ketchikan Boat Harbor Fund	1,151,941	
Bayview Cemetery Fund	135,434	
CPV Fund	-	
US Marshall Property Seizure Fund	185,639	
Community Grant Fund	22,421	
Shoreline Fund	<u>123,745</u>	16,006,678

Capital Project Funds

Major Capital Improvement Fund		
Unrestricted Funds	-	
Commercial Passenger Excise Tax Funds	1,437,784	
Community Facilities Development Fund		
Unrestricted Funds	2,599,802	
Bond Construction Funds	194,316	
Harbor Improvements Fund		
Unrestricted Funds	675,473	
Bond Construction Funds	75,892	
Commercial Passenger Excise Tax Funds	863,762	
Hospital Construction Fund		
Unrestricted Funds	5,396,211	
Bond Construction Funds	<u>\$18,104,001</u>	\$29,347,241

CITY OF KETCHIKAN, ALASKA

(Page 2 of 2)

COMBINED SCHEDULE OF CASH AND INVESTMENTS BALANCES - ALL FUNDS (Cont'd)

Year Ended December 31, 2015

Enterprise Funds

Wastewater Service Fund		
Unrestricted Funds	\$1,614,382	
Revenue Bond Redemption Funds	54,520	
Ketchikan Port Fund:		
Unrestricted Funds	6,420,791	
Revenue Bond Redemption Funds	824,743	
Repair & Replacement Funds	4,192,162	
Revenue Bond Reserve Funds	2,560,597	
Ketchikan Public Utilities Fund:		
Unrestricted Funds	17,366,977	
Revenue Bond Redemption Funds	1,163,963	
Revenue Bond Reserve Funds	<u>1,586,000</u>	\$35,784,135

Internal Service Funds

Self-Insurance Fund	628,023	
Compensated Leave Fund	<u>\$1,407,254</u>	<u>2,035,277</u>

Total Cash and Investments		<u><u>\$90,338,021</u></u>
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CITY OF KETCHIKAN, ALASKA
COMBINED SCHEDULE OF INVESTMENTS - ALL FUNDS
Year Ended December 31, 2015

	<i>Interest Rate</i>	<i>Maturity Date</i>	<i>Amount</i>
	<u>Rate</u>	<u>Date</u>	<u>Amount</u>
CITY OF KETCHIKAN GENERAL INVESTMENT ACCOUNT			
Wells Fargo Advisors			
US Treasury Notes	4.875%	08/15/2016	<u>410,296</u>
KETCHIKAN PORT - REVENUE BOND RESERVE FUND INVESTMENTS			
Wells Fargo Advisors			
US Treasury Notes	1.125%	04/30/2020	2,545,202
Cash and Money Funds			<u>15,396</u>
			<u>2,560,598</u>
LIBRARY FACILITIES CONSTRUCTION FUND			
Wells Fargo Advisors			
Cash and Money Funds			<u>194,316</u>
HARBOR BOND CONSTRUCTION FUND			
First Bank			
Cash and Money Funds			<u>182,336</u>
KETCHIKAN MEDICAL CENTER BOND CONSTRUCTION FUND			
First Bank			
Cash and Money Funds			<u>28,414,793</u>
TOTAL ALL FUNDS			<u><u>31,762,339</u></u>



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STATISTICAL SECTION

This section of the City of Ketchikan’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City’s overall financial health.

<u>Contents</u>	<u>Page</u>
Government-wide Information These schedules contain information that help the reader understand how the City’s government-wide financial performance and well-being have changed over time.	161
Financial Trends These schedules contain trend information that help the reader understand how the City’s financial performance and well-being have changed over time.	169
Revenue Capacity These schedules present information to help the reader assess the city’s most significant local revenue source, property taxes.	175
Debt Capacity These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	191
Demographic and Economic Information These tables offer demographic and economic indicators to help the reader understand the environment within which the city’s financial activities take place.	197
Operating Information These tables contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the city provides and the activities it performs.	201

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The city implemented GASB Statement 34 in 2003; tables presenting government-wide information include information in that year. The City implemented GASB Statement 44 in 2006; schedules presenting government-wide information include information beginning in that year.



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GOVERNMENT-WIDE INFORMATION

These schedules contain information to help the reader understand how the City's government-wide financial performance and well-being have changed over time.

Net Position by Component.....	Table 1
Changes in Net Position.....	Table 2

(Un-Audited)

City of Ketchikan, Alaska
Net Position by Component
Last Ten Fiscal Years

	<u>2006</u>	<u>2007</u>	<u>Restated 2008</u>	<u>2009</u>
Governmental activities				
Net investment in capital assets	\$ 82,946,674	\$ 100,387,358	\$ 102,795,408	\$ 105,240,716
Restricted	8,500,972	8,635,185	7,867,366	9,302,674
Unrestricted	21,842,202	24,554,392	24,486,577	22,137,657
Total governmental activities net position	<u>\$ 113,289,848</u>	<u>\$ 133,576,935</u>	<u>\$ 135,149,351</u>	<u>\$ 136,681,047</u>
Business-type activities				
Net investment in capital assets	\$ 65,014,842	\$ 65,421,421	\$ 68,944,529	\$ 75,194,012
Restricted	8,528,058	7,819,498	9,173,772	8,695,571
Unrestricted	23,371,639	26,243,152	28,054,404	23,958,481
Total business-type activities net position	<u>\$ 96,914,539</u>	<u>\$ 99,484,071</u>	<u>\$ 106,172,705</u>	<u>\$ 107,848,064</u>
Primary Government				
Net investment in capital assets	\$ 147,961,516	\$ 165,808,779	\$ 171,739,937	\$ 180,434,728
Restricted	17,029,030	16,454,683	17,041,138	17,998,245
Unrestricted	45,213,841	50,797,544	52,540,981	46,096,138
Total primary government net position	<u>\$ 210,204,387</u>	<u>\$ 233,061,006</u>	<u>\$ 241,322,056</u>	<u>\$ 244,529,111</u>

Table 1

<u>2010</u>	<u>2011</u>	<u>Restated 2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 109,138,701	\$ 118,331,373	\$ 124,187,486	\$ 123,952,440	\$ 143,909,094	\$ 154,659,112
7,975,618	8,010,280	7,668,494	8,148,212	8,922,032	12,933,820
<u>21,265,521</u>	<u>22,791,652</u>	<u>20,015,992</u>	<u>19,781,991</u>	<u>19,246,474</u>	<u>7,410,053</u>
<u>\$ 138,379,840</u>	<u>\$ 149,133,305</u>	<u>\$ 151,871,972</u>	<u>\$ 151,882,643</u>	<u>\$ 172,077,600</u>	<u>\$ 175,002,985</u>
\$ 78,533,777	\$ 88,231,320	\$ 101,715,542	\$ 118,874,119	\$ 124,479,056	\$ 124,231,729
8,196,207	8,431,062	8,624,752	9,098,473	11,494,674	10,116,562
<u>26,306,929</u>	<u>27,164,343</u>	<u>27,346,998</u>	<u>30,740,061</u>	<u>28,552,851</u>	<u>26,735,278</u>
<u>\$ 113,036,913</u>	<u>\$ 123,826,725</u>	<u>\$ 137,687,292</u>	<u>\$ 158,712,653</u>	<u>\$ 164,526,581</u>	<u>\$ 161,083,569</u>
\$ 171,739,937	\$ 180,434,728	\$ 225,903,028	\$ 242,826,559	\$ 268,388,150	\$ 278,890,841
16,171,825	17,998,245	16,293,246	17,246,685	20,416,706	23,050,382
<u>47,572,450</u>	<u>49,955,995</u>	<u>47,362,990</u>	<u>50,522,052</u>	<u>47,799,325</u>	<u>34,145,331</u>
<u>\$ 235,484,212</u>	<u>\$ 248,388,968</u>	<u>\$ 289,559,264</u>	<u>\$ 310,595,296</u>	<u>\$ 336,604,181</u>	<u>\$ 336,086,554</u>

(Un-Audited)

City of Ketchikan, Alaska
Changes in Net Position
Last Ten Fiscal Years

	<u>2006</u>	<u>2007</u>	<u>Restated 2008</u>	<u>2009</u>	<u>2010</u>
Expenses					
Governmental activities:					
General government	\$ 1,959,927	\$ 2,042,750	\$ 2,385,231	\$ 2,103,140	\$ 2,365,376
Public safety	6,835,651	7,288,610	8,004,100	7,803,886	7,751,934
Culture	2,566,929	2,551,355	3,336,986	2,896,827	2,822,040
Health and welfare	3,485,604	3,975,894	4,011,821	2,947,696	1,875,578
Public works	5,617,473	6,033,515	8,888,160	10,003,285	7,788,434
Harbor	1,418,733	1,642,466	1,639,600	2,066,607	2,057,164
Interest	344,778	321,854	296,709	278,749	256,909
Total governmental activities expenses	<u>22,229,095</u>	<u>23,856,444</u>	<u>28,562,607</u>	<u>28,100,190</u>	<u>24,917,435</u>
Business-type activities					
Ketchikan Public Utilities					
Electric	\$ 14,057,328	\$ 15,044,569	\$ 17,331,151	\$ 17,451,474	\$ 16,036,369
Telecommunications	11,835,693	12,512,416	11,901,997	13,447,338	12,321,547
Water	2,834,098	2,886,251	2,902,139	2,846,215	2,833,765
Ketchikan Port	4,097,435	4,723,553	7,176,395	9,026,767	8,929,902
Wastewater Service	1,680,328	2,013,615	2,297,544	2,583,454	2,228,373
Total business-type activities expenses	<u>34,504,882</u>	<u>37,180,404</u>	<u>41,609,226</u>	<u>45,355,248</u>	<u>42,349,956</u>
Total primary government expenses	<u>\$ 56,733,977</u>	<u>\$ 61,036,848</u>	<u>\$ 70,171,833</u>	<u>\$ 73,455,438</u>	<u>\$ 67,267,391</u>
Program Revenues					
Governmental activities:					
Charges for services:					
Ambulance	\$ 369,017	\$ 389,500	\$ 434,934	\$ 385,373	\$ 516,049
Library services	420,246	435,876	436,601	421,585	351,494
Mental Health & Substance Abuse	618,937	472,351	381,844	596,067	140,862
Solid Waste	2,833,419	2,821,632	2,881,079	2,776,619	2,816,287
Harbor	940,106	973,142	1,103,677	1,156,343	1,116,361
Other activities	1,413,971	1,296,568	1,634,340	1,610,935	1,252,815
Operating grants and contributions	1,776,296	1,846,610	2,169,658	1,220,785	963,699
Capital grants and contributions	2,324,529	170,663	375,443	4,125,310	2,840,226
Total governmental activities program revenues	<u>10,696,521</u>	<u>8,406,342</u>	<u>9,417,576</u>	<u>12,293,017</u>	<u>9,997,793</u>
Business-type activities					
Charges for services					
Electric	\$ 14,468,144	\$ 14,779,712	\$ 17,699,413	\$ 16,619,118	\$ 15,370,110
Telecommunications	14,032,603	13,431,826	12,958,489	13,727,676	14,390,486
Water	1,718,781	1,924,163	2,024,614	2,247,801	2,532,659
Port	6,427,207	7,895,063	8,839,267	8,922,228	8,000,492
Wastewater	1,942,529	2,038,361	2,038,287	2,029,614	2,009,767
Operating grants and contributions	107,582	126,032	257,948	149,270	111,337
Capital grants and contributions	2,137,467	3,563,444	4,304,943	2,991,174	5,361,548
Total business-type activities program revenues	<u>40,834,313</u>	<u>43,758,601</u>	<u>48,122,961</u>	<u>46,686,881</u>	<u>47,776,399</u>
Total primary government program revenues	<u>\$ 51,530,834</u>	<u>\$ 52,164,943</u>	<u>\$ 57,540,537</u>	<u>\$ 58,979,898</u>	<u>\$ 57,774,192</u>

Table 2

2011	Restated 2012	2013	2014	2015
\$ 1,928,342	\$ 2,290,233	\$ 2,472,898	\$ 2,683,962	\$ 3,212,276
8,368,059	8,964,646	8,807,683	9,723,428	10,784,857
2,862,064	3,097,918	3,445,959	3,300,295	3,351,076
1,272,680	2,541,686	747,893	1,099,588	1,165,884
8,015,271	9,423,324	10,840,175	10,373,365	9,341,130
2,169,152	2,154,270	1,851,082	2,192,468	2,297,660
478,822	757,879	655,947	1,519,245	2,303,764
<u>25,094,390</u>	<u>29,229,956</u>	<u>28,821,637</u>	<u>30,892,351</u>	<u>32,456,647</u>
\$ 16,141,172	\$ 16,790,404	\$ 19,705,332	\$ 17,352,078	\$ 17,074,535
13,172,392	14,500,244	14,405,757	15,649,634	17,577,826
3,221,650	3,595,668	4,029,711	3,905,078	4,128,011
7,452,615	7,194,938	9,133,140	11,012,311	7,911,281
2,401,671	2,735,348	2,642,018	2,477,247	2,683,116
<u>42,389,500</u>	<u>44,816,602</u>	<u>49,915,958</u>	<u>50,396,348</u>	<u>49,374,769</u>
<u>\$ 67,483,890</u>	<u>\$ 74,046,558</u>	<u>\$ 78,737,595</u>	<u>\$ 81,288,699</u>	<u>\$ 81,831,416</u>
\$ 521,621	\$ 470,682	\$ 515,158	\$ 606,369	\$ 571,134
381,162	471,662	666,621	641,607	580,749
2,940,490	2,948,507	2,851,958	2,907,531	2,809,864
1,159,273	1,250,292	1,191,053	1,247,810	1,329,984
1,573,835	1,431,758	1,204,043	1,236,754	1,454,647
1,173,178	1,153,337	1,562,913	2,444,297	4,124,392
<u>10,529,822</u>	<u>6,878,384</u>	<u>2,736,373</u>	<u>18,050,935</u>	<u>11,913,259</u>
<u>18,279,381</u>	<u>14,604,622</u>	<u>10,728,119</u>	<u>27,135,303</u>	<u>22,784,029</u>
\$ 16,223,890	\$ 16,746,615	\$ 18,898,966	\$ 16,300,445	\$ 16,063,847
14,444,541	14,530,914	15,185,977	16,097,808	17,439,673
2,896,152	2,932,254	3,078,704	3,171,300	3,449,639
7,986,404	8,592,255	9,145,920	8,578,059	9,032,271
2,117,793	2,215,314	2,451,800	2,575,541	2,757,661
221,076	2,225,280	2,280,470	2,973,832	630,204
9,908,854	12,327,627	20,670,211	12,261,064	1,397,000
<u>53,798,710</u>	<u>59,570,259</u>	<u>71,712,048</u>	<u>61,958,049</u>	<u>50,770,295</u>
<u>\$ 72,078,091</u>	<u>\$ 74,174,881</u>	<u>\$ 82,440,167</u>	<u>\$ 89,093,352</u>	<u>\$ 73,554,324</u>

(Un-Audited)

City of Ketchikan, Alaska
Changes in Net Position (continued)
Last Ten Fiscal Years

	<u>2006</u>	<u>2007</u>	<u>Restated 2008</u>	<u>2009</u>	<u>2010</u>
Net (Expense)/Revenue					
Governmental activities	\$ (11,532,574)	\$ (15,450,102)	\$ (19,145,031)	\$ (15,807,173)	\$ (14,919,642)
Business-type activities	<u>6,329,431</u>	<u>6,578,197</u>	<u>6,513,735</u>	<u>1,331,633</u>	<u>5,426,443</u>
Total primary government net (expense) revenue	\$ (5,203,143)	\$ (8,871,905)	\$ (12,631,296)	\$ (14,475,540)	\$ (9,493,199)
Governmental Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes					
Property taxes	\$ 3,895,032	\$ 4,073,391	\$ 4,482,595	\$ 4,634,797	\$ 4,681,027
Sales taxes	9,203,890	9,663,743	10,441,027	9,568,759	9,477,890
Transient taxes	346,341	526,915	449,708	355,729	391,089
Intergovernmental - unrestricted	484,967	701,006	794,368	729,325	810,802
Investment earnings	1,234,797	1,425,411	1,175,583	469,839	157,012
Contributions of capital assets not restricted	-	-	-		
Miscellaneous	212,911	1,209,209	1,316,542	615,419	77,615
Special Item	-	-	507,229		
Transfers	<u>2,605,759</u>	<u>6,324,169</u>	<u>1,550,395</u>	<u>965,000</u>	<u>1,023,000</u>
Total governmental activities	<u>\$ 17,983,697</u>	<u>\$ 23,923,844</u>	<u>\$ 20,717,447</u>	<u>\$ 17,338,868</u>	<u>\$ 16,618,435</u>
Business-type activities:					
Investment earnings	\$ 1,816,783	\$ 1,873,235	\$ 1,214,525	\$ 671,967	\$ 182,542
Miscellaneous	808,978	442,269	408,670	636,759	602,864
Special Item	-	-	102,099		
Extraordinary Item	-	-	-		
Transfers	<u>(2,605,759)</u>	<u>(6,324,169)</u>	<u>(1,550,395)</u>	<u>(965,000)</u>	<u>(1,023,000)</u>
Total business-type activities	<u>20,002</u>	<u>(4,008,665)</u>	<u>174,899</u>	<u>343,726</u>	<u>(237,594)</u>
Total primary government	<u>\$ 18,003,699</u>	<u>\$ 19,915,179</u>	<u>\$ 20,892,346</u>	<u>\$ 17,682,594</u>	<u>\$ 16,380,841</u>
Change in Net Position					
Governmental activities	\$ 6,451,123	\$ 8,473,742	\$ 1,572,416	\$ 1,531,695	\$ 1,698,793
Business-type activities	<u>6,349,433</u>	<u>2,569,532</u>	<u>6,688,634</u>	<u>1,675,359</u>	<u>5,188,849</u>
Total primary government	<u>\$ 12,800,556</u>	<u>\$ 11,043,274</u>	<u>\$ 8,261,050</u>	<u>\$ 3,207,054</u>	<u>\$ 6,887,642</u>

Table 2 - (Continued)

<u>2011</u>	<u>Restated 2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ (6,815,009)	\$ (14,625,334)	\$ (18,093,518)	\$ (3,757,048)	\$ (9,672,618)
<u>11,409,210</u>	<u>14,753,657</u>	<u>21,796,090</u>	<u>11,561,701</u>	<u>1,395,526</u>
\$ 4,594,201	\$ 128,323	\$ 3,702,572	\$ 7,804,653	\$ (8,277,092)
\$ 4,808,930	\$ 4,802,508	\$ 5,496,857	\$ 5,513,202	\$ 5,578,404
9,883,856	10,140,108	10,207,189	10,995,570	11,425,197
377,583	358,343	395,867	388,723	515,956
1,137,762	744,301	522,456	539,771	498,885
101,754	9,488	(2,470)	89,179	94,750
161,589	290,761	219,091	221,756	338,825
<u>1,097,000</u>	<u>1,105,178</u>	<u>1,265,199</u>	<u>6,203,804</u>	<u>2,804,258</u>
<u>\$ 17,568,474</u>	<u>\$ 17,450,687</u>	<u>\$ 18,104,189</u>	<u>\$ 23,952,005</u>	<u>\$ 21,256,275</u>
\$ 132,196	\$ 116,989	\$ 5,911	\$ 129,167	\$ 93,966
345,406	522,859	488,559	326,864	415,801
<u>(1,097,000)</u>	<u>(1,105,178)</u>	<u>(1,265,199)</u>	<u>(6,203,804)</u>	<u>(2,804,258)</u>
<u>(619,398)</u>	<u>(465,330)</u>	<u>(770,729)</u>	<u>(5,747,773)</u>	<u>(2,294,491)</u>
<u>\$ 16,949,076</u>	<u>\$ 16,985,357</u>	<u>\$ 17,333,460</u>	<u>\$ 18,204,232</u>	<u>\$ 18,961,784</u>
\$ 10,753,465	\$ 2,825,353	\$ 10,671	\$ 20,194,957	\$ 11,583,657
<u>10,789,812</u>	<u>14,288,327</u>	<u>21,025,361</u>	<u>5,813,928</u>	<u>(898,965)</u>
<u>\$ 21,543,277</u>	<u>\$ 17,113,680</u>	<u>\$ 21,036,032</u>	<u>\$ 26,008,885</u>	<u>\$ 10,684,692</u>



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FINANCIAL TRENDS

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Fund Balances, Governmental Funds	Table 3
Changes in Fund Balances, Governmental Funds	Table 4
Tax Revenues by Source, Governmental Funds	Table 5

(Un-Audited)

City of Ketchikan, Alaska
Fund Balances, Governmental Funds
Last Ten Fiscal Years

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund				
Reserved	\$ 721,656	\$ 804,983	\$ 633,594	\$ 602,723
Unreserved	4,868,556	4,523,852	4,436,748	4,046,686
Nonspendable				
Restricted				
Committed				
Assigned				
Unassigned				
Total general fund	<u>\$ 5,590,212</u>	<u>\$ 5,328,835</u>	<u>\$ 5,070,342</u>	<u>\$ 4,649,409</u>
All Other Governmental Funds				
Reserved	\$ 6,399,364	\$ 3,919,777	\$ 6,516,387	\$ 6,320,258
Unreserved, reported in:				
Designated				
Special revenue funds	13,782,467	15,715,623	14,173,319	13,577,367
Capital project funds	2,269,925	5,428,243	2,996,186	4,154,046
Debt service funds				
Nonspendable				
Restricted				
Committed				
Assigned				
Unassigned				
Total all other governmental funds	<u>\$ 22,451,756</u>	<u>\$ 25,063,643</u>	<u>\$ 23,685,892</u>	<u>\$ 24,051,671</u>

This schedule presents the reported fund balances with the implementation of GASB Statement 54 for calendar year 2011, and 2010, as restated. Prior years 2002 through 2009 have not been restated.

Table 3

<u>Restated 2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 391,593	\$ 382,742	\$ 376,517	\$ 391,977	\$ 418,618	\$ 364,591 137,151
14,025,344	15,834,417	14,323,611	13,347,874	12,696,062	12,706,723
<u>3,298,478</u>	<u>3,271,596</u>	<u>2,606,320</u>	<u>3,350,096</u>	<u>3,723,002</u>	<u>4,187,530</u>
<u>\$ 17,715,415</u>	<u>\$ 19,488,755</u>	<u>\$ 17,306,448</u>	<u>\$ 17,089,947</u>	<u>\$ 16,837,682</u>	<u>\$ 17,395,995</u>
\$ 7,270,633	\$ 4,368,168	\$ 2,992,632	\$ 10,857	\$ 46,297,419	\$ 20,843,307
455,846	1,107,501				
7,962,654	7,056,295	7,742,208	9,766,365	8,407,154	8,109,967 (101,672)
<u>\$ 15,689,133</u>	<u>\$ 12,531,964</u>	<u>\$ 10,734,840</u>	<u>\$ 9,777,222</u>	<u>\$ 54,704,573</u>	<u>\$ 28,851,602</u>

(Un-Audited)

City of Ketchikan, Alaska
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years

	2006	2007	2008	2009
Revenues				
Taxes	\$ 13,354,456	\$ 14,199,771	\$ 15,325,083	\$ 14,525,068
Licenses and permits	109,732	122,275	104,742	90,922
Intergovernmental	4,563,268	3,109,206	3,704,389	5,553,375
Charges for services	6,246,819	6,083,444	6,494,421	6,520,335
Fines and forfeitures	144,904	169,049	284,085	237,599
Investments earnings	990,881	1,134,288	1,159,148	1,495,589
Contributions				913,284
Interdepartmental charges	2,711,378	2,663,164	3,001,060	3,029,714
Miscellaneous	223,378	1,211,136	1,561,193	592,694
Total revenues	28,344,816	28,692,333	31,634,121	32,958,580
Expenditures				
General government	\$ 4,292,014	\$ 4,158,340	\$ 4,700,644	\$ 4,636,560
Public safety	6,842,820	7,221,346	8,513,209	7,943,723
Culture	2,316,367	2,342,355	3,458,592	2,705,436
Health and welfare	3,371,208	4,260,761	3,863,755	3,325,151
Public works	8,246,265	7,076,021	9,506,008	11,453,823
Harbor	2,997,601	6,833,930	3,917,652	3,073,447
Debt service				
Interest and fiscal charges	347,152	324,357	301,170	283,669
Principal retirement	505,130	563,193	573,038	589,339
Total expenditures	28,918,557	32,780,303	34,834,068	34,011,148
Excess of revenues over (under) expenditures	(573,741)	(4,087,970)	(3,199,947)	(1,052,568)
Other Financing Sources (Uses)				
Sale of capital assets	\$ 49,129	\$ 114,311	\$ 13,308	\$ 32,414
Proceeds of refunded bonds	-	-	-	-
Proceeds from sale of bonds	-	-	-	-
Premiums from sale of bonds	-	-	-	-
Bond issuance costs	-	-	-	-
Payments to refunded bond agent	-	-	-	-
Capital lease	104,364	-	-	-
Transfers in	6,871,876	10,133,487	5,855,913	5,682,231
Transfers out	(4,266,117)	(3,809,318)	(4,305,518)	(4,717,231)
Total other financing sources (uses)	2,759,252	6,438,480	1,563,703	997,414
Net change in fund balances	\$ 2,185,511	\$ 2,350,510	\$ (1,636,244)	\$ (55,154)
Debt service as a percentage of noncapital expenditures	3.62%	3.63%	3.00%	3.18%

Table 4

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 14,343,068	\$ 15,128,079	\$ 15,311,798	\$ 16,085,582	\$ 16,704,419	\$ 17,496,802
119,522	276,275	114,480	91,516	97,998	117,705
4,515,036	12,834,694	8,694,716	4,550,899	20,400,912	14,971,874
6,050,968	6,082,885	6,208,863	6,191,082	6,290,591	6,196,528
136,681	159,574	167,553	182,562	266,098	190,911
101,960	208,321	9,488	(2,356)	65,179	70,682
86,054	1,598	74,656	105,505	453,522	1,509,991
3,048,226	3,175,838	3,395,081	3,149,075	3,150,268	3,180,765
223,768	196,281	291,613	407,870	464,539	518,971
<u>28,625,283</u>	<u>38,063,545</u>	<u>34,268,248</u>	<u>30,761,735</u>	<u>47,893,526</u>	<u>44,254,229</u>
\$ 4,635,116	\$ 4,694,767	\$ 5,029,536	\$ 4,914,708	\$ 5,159,975	\$ 5,070,762
9,253,467	15,794,570	11,613,580	8,460,223	9,977,972	9,205,059
3,704,718	4,256,978	11,487,388	3,067,307	3,401,183	5,598,126
1,504,139	1,553,869	2,334,980	457,254	11,745,136	33,070,332
9,943,954	9,862,985	10,456,004	11,040,657	15,462,846	9,185,880
2,265,892	3,136,954	2,148,053	3,423,048	7,075,954	6,563,415
264,280	454,029	598,624	1,140,000	1,444,671	2,465,094
575,000	800,000	930,000	697,856	1,180,000	3,625,000
<u>32,146,566</u>	<u>40,554,152</u>	<u>44,598,165</u>	<u>33,201,053</u>	<u>55,447,737</u>	<u>74,783,668</u>
(3,521,283)	(2,490,607)	(10,329,917)	(2,439,318)	(7,554,211)	(30,529,439)
-	\$ 9,778	\$ 10,795	-	\$ 17,772	\$ 66,691
-	-	-	-	-	2,280,000
\$ 7,200,000	-	4,820,003	-	44,040,000	-
1,751	-	414,510	-	2,134,131	101,300
-	-	-	-	(166,410)	(17,468)
-	-	-	-	-	-
-	-	-	-	-	-
5,277,851	2,750,515	3,975,430	\$ 3,334,665	\$ 9,009,820	\$ 10,266,639
(4,254,851)	(1,653,515)	(2,870,252)	(2,069,466)	(2,806,016)	(7,462,381)
<u>8,224,751</u>	<u>1,106,778</u>	<u>6,350,486</u>	<u>1,265,199</u>	<u>52,229,297</u>	<u>5,234,781</u>
<u>\$ 4,703,468</u>	<u>\$ (1,383,829)</u>	<u>\$ (3,979,431)</u>	<u>\$ (1,174,119)</u>	<u>\$ 44,675,086</u>	<u>\$ (25,294,658)</u>
3.35%	4.96%	5.20%	6.32%	8.56%	18.56%

(Un-Audited)

Table 5

City of Ketchikan, Alaska
Tax Revenues by Source, Governmental Funds
Last Ten Fiscal Years

Fiscal Year	Real & Personal Property Taxes	Automobile and Boat Taxes	Penalty & Interest	Senior Citizen Local Contribution	Sales Taxes	Transient Taxes	Payment In Lieu of Taxes	Total
2006	4,071,771	71,796	85,124	(292,668)	9,084,670	333,763	-	13,354,456
2007	4,213,607	88,723	87,502	(290,436)	9,581,723	518,652	-	14,199,771
2008	4,710,269	61,766	82,978	(305,235)	10,330,443	444,862	-	15,325,083
2009	4,845,524	63,588	71,381	(321,800)	9,491,524	366,856	7,995	14,525,068
2010	4,881,901	63,593	120,099	(336,120)	9,217,763	385,286	10,546	14,343,068
2011	4,920,064	76,677	124,146	(346,141)	9,965,173	378,096	10,064	15,128,079
2012	5,005,267	77,964	79,216	(354,923)	10,131,203	362,739	10,332	15,311,798
2013	5,750,117	48,589	88,207	(400,242)	10,201,586	386,230	11,095	16,085,582
2014	5,801,986	48,747	83,689	(427,956)	10,796,715	389,342	11,896	16,704,419
2015	5,851,759	47,887	85,659	(436,336)	11,427,918	486,838	12,164	17,475,889
Change								
2015-2006	43.72%	-33.30%	0.63%	49.09%	25.79%	45.86%		30.86%

REVENUE CAPACITY

These schedules contain information to help the reader assess the City's most significant local revenue sources, property taxes, sales taxes and charges for services.

Direct and Overlapping Property Tax Rates	Table 6
Assessed Value and Actual Value of Taxable Property	Table 7
Principal Property Taxpayers.....	Table 8
Property Tax Levies and Collections.....	Table 9
Direct and Overlapping Sales Tax Rates	Table 10
Major Governmental Activities Customer Base and Charges for Services Income	Table 11
Major Business Type Activities Customer Base and Charges for Services Income	Table 12
Gross Sales by Category	Table 13



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(Un-Audited)

Table 6

City of Ketchikan, Alaska
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

Fiscal Year	City of Ketchikan	Ketchikan Gateway Borough	Total Rate
2006	6.4	7.2	13.6
2007	6.1	6.8	12.9
2008	6.1	6.8	12.9
2009	6.1	6.0	12.1
2010	6.1	5.8	11.9
2011	6.2	5.8	12.0
2012	6.2	5.0	11.2
2013	6.7	5.0	11.7
2014	6.7	5.0	11.7
2015	6.7	5.0	11.7

Tax Rate Limit: The laws of the State of Alaska limit property taxes to 3 percent of the value of property, but this limitation is not applicable to taxes levied or pledged to pay or secure the payment of the principal and interest on any bonds of any incorporated town or municipality, which taxes may be levied without limitation as to rate and amount.

Source: Ketchikan Gateway Borough

(Un-Audited)

City of Ketchikan, Alaska
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Residential Property	Vacant Property ⁽¹⁾	Commercial Property	Industrial Property	Apartment & Condominium Property	Other Property
2006	276,260,200	27,147,700	187,371,100	44,225,000	47,212,900	8,684,600
2007	310,491,700	30,939,400	202,440,800	46,898,700	54,040,200	3,608,700
2008	347,617,900	32,621,300	219,509,300	53,346,100	61,058,900	3,778,200
2009	356,923,300	32,800,300	229,937,400	60,541,600	56,939,700	10,052,600
2010	365,177,600	32,136,200	231,054,200	63,405,300	58,391,900	9,407,200
2011	273,882,800	11,108,100	200,555,000	113,607,400	152,983,800	1,667,100
2012	370,947,500	31,244,700	297,047,800	-	61,355,800	3,743,400
2013	261,110,500	40,812,100	325,506,900	-	166,449,600	3,281,100
2014	396,406,500	37,402,300	313,022,400	-	62,960,400	3,690,000
2015	384,722,200	36,480,100	229,589,100	99,821,000	62,824,230	3,684,100

⁽¹⁾ The vacant property classification includes property parcels that do not have improvements on the land. These vacant parcels may be located in residential, commercial and industrial zones.

⁽²⁾ The Senior Citizen/Disabled Veteran Tax Emempt program provides up to \$150,000 of tax relief for qualified individuals.

Note: The property in the city is reassessed at least every four years in accordance with the Ketchikan Gateway Borough's assessment procedures to reappraise certain geographical areas located within the Borough. Property is assessed at actual value; therefore, the assessed values are equal to actual value. Tax rates are per \$1,000 of assessed value.

Source: Ketchikan Gateway Borough, Assessment Department

Table 7

Personal Property	Total Assessed Value	Tax-Exempt Property ⁽²⁾	Total Taxable Assessed Value	Tax Rate
42,419,800	633,321,300	45,729,300	587,592,000	6.4
48,912,700	697,332,200	47,670,500	649,661,700	6.1
50,809,700	768,741,400	50,094,600	718,646,800	6.1
50,913,200	798,108,100	52,754,100	745,354,000	6.1
41,375,000	800,947,400	55,101,700	745,845,700	6.1
47,370,800	801,175,000	55,829,300	745,345,700	6.2
44,177,700	808,516,900	58,818,800	749,698,100	6.2
60,238,000	857,398,200	59,737,600	797,660,600	6.7
56,345,700	869,827,300	63,874,100	805,953,200	6.7
56,376,718	873,497,448	65,124,800	808,372,648	6.7

City of Ketchikan, Alaska
Principal Property Taxpayers
 Current Year and Nine Years Ago

	2015			2006		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Taxpayer						
Cape Fox Corporation	\$ 16,436,500	1	1.88%	\$ 8,108,600	1	1.28%
Trident Seafoods Corporation	14,427,600	2	1.65%			
Ketchikan Dock Company, LLC	14,148,200	3	1.62%			
Harbor Enterprises/Petro Marine Services	11,113,300	4	1.27%	6,202,700	7	0.98%
Tongass Trading Company	10,579,500	5	1.21%	7,747,700	2	1.22%
Boyer Towing Inc.	9,169,000	6	1.05%			
Dock Street Building Corporation	8,714,700	7	1.00%			
Landing LLC	8,342,300	8	0.96%	6,601,400	5	1.04%
E C Phillips & Son Inc.	8,199,900	9	0.94%	5,563,200	8	0.88%
Alaska General Seafood Processors	7,722,100	10	0.88%	4,718,900	10	0.75%
Carr-Gottstein Foods Company				6,770,600	4	1.07%
Wal-Mart				6,874,800	3	1.09%
Ketchikan Plaza, Inc.				5,238,100	9	0.83%
Trident-Norquest				6,276,100	6	0.99%
Total	\$ 108,853,100		12.46%	\$ 64,102,100		10.13%

Source: Ketchikan Gateway Borough Department of Assessment

City of Ketchikan, Alaska
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Taxes Levied for Municipal Purposes for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2006	3,760,589	3,736,346	99.36%	24,222	3,760,568	100.00%
2007	3,962,936	3,881,477	97.94%	69,080	3,950,557	99.69%
2008	4,383,745	4,338,730	98.97%	36,496	4,375,226	99.81%
2009	4,546,659	4,472,274	98.36%	65,392	4,537,666	99.80%
2010	4,549,659	4,353,276	95.68%	167,052	4,520,328	99.36%
2011	4,621,143	4,565,367	98.79%	55,701	4,621,068	100.00%
2012	4,648,128	4,590,563	98.76%	57,565	4,648,128	100.00%
2013	5,344,326	5,276,616	98.73%	47,893	5,324,509	99.63%
2014	5,399,886	5,295,537	98.07%	90,984	5,386,521	99.75%
2015	5,416,097	5,372,688	99.20%	-	5,372,688	99.20%

Source: Ketchikan Gateway Borough, Assessment Department



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(Un-Audited)

Table 10

City of Ketchikan, Alaska
Direct and Overlapping Sales Tax Rates
Last Ten Fiscal Years

Fiscal Year	City of Ketchikan¹	Ketchikan Gateway Borough	Total Rate
2006	3.5%	2.5%	6.0%
2007	3.5%	2.5%	6.0%
2008	3.5%	2.5%	6.0%
2009	3.5%	2.5%	6.0%
2010	3.5%	2.5%	6.0%
2011	3.5%	2.5%	6.0%
2012	3.5%	2.5%	6.0%
2013	3.5%	2.5%	6.0%
2014	4.0%	2.5%	6.5%
2015	4.0%	2.5%	6.5%

¹ The City of Ketchikan 4.0% sales tax rate became effective April 1, 2014.

Source: Ketchikan Gateway Borough & City of Ketchikan

(Un-Audited)

City of Ketchikan, Alaska
Major Governmental Activities Customer Base and Charges for Services Income
Last Ten Fiscal Years

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<u>Collected Charges for Services Revenue</u>				
Solid Waste	\$ 2,833,419	\$ 2,821,632	\$ 2,881,079	\$ 2,776,619
Harbor	940,106	973,142	1,103,677	1,156,343
<u>Number of Customers/Services Provided</u>				
Solid Waste Collection				
Residential	2,495	2,516	2,479	2,454
Business	222	231	230	231
Solid Waste Disposal	5,342	5,403	5,405	5,446
Harbor				
Reserved Moorage Stalls Rented	780	765	759	786

Sources: City of Ketchikan Solid Waste and Small Boat Harbors financial and department records

Table 11

	2010	2011	2012	2013	2014	2015
\$	2,816,287	\$ 2,940,490	\$ 2,948,507	\$ 2,851,958	\$ 2,907,531	\$ 2,809,864
	1,116,361	1,159,273	1,250,292	1,191,053	1,247,810	1,329,984
	2,402	2,524	2,558	2,559	2,599	2,628
	233	238	251	245	248	249
	5,419	5,485	5,537	5,571	5,528	5,500
	763	765	767	753	735	821

(Un-Audited)

City of Ketchikan, Alaska
Major Business Type Activities Customers and Charges for Services Income
Last Ten Fiscal Years

	2006	2007	2008	2009
Collected Charges for Services Revenue				
Electric				
Residential	\$ 5,952,863	\$ 6,184,106	\$ 6,691,810	\$ 6,743,435
Boats	280,735	290,847	289,017	275,352
Commercial	6,126,399	6,126,579	6,327,156	6,167,549
Industrial	1,554,201	1,614,368	1,615,798	1,622,961
Demand	403,234	411,557	426,839	429,295
Area Lighting	43,618	45,733	50,145	49,019
Street Lighting	122,694	122,122	123,012	123,499
Diesel Surcharge			2,205,971	1,228,808
Other	771,160	567,665	472,660	564,893
Telecommunications				
Local Network Services	3,237,357	2,854,206	2,644,869	2,442,452
Inter/Intrastate Network Access Services	8,403,318	7,745,095	7,449,484	8,163,920
Non-Regulated	1,856,903	2,271,838	2,361,103	2,560,799
Other	577,025	602,687	552,921	616,505
Water				
Residential	775,277	872,455	888,236	966,755
Apartments	153,435	166,001	174,022	188,158
Commercial	579,415	644,746	667,522	756,319
Industrial	72,726	77,977	79,714	68,793
Cannery	45,790	48,862	70,376	129,648
Fire Hydrant	8,511	9,029	9,210	19,170
Port	94,538	116,522	148,781	141,328
Other	26,411	14,156	27,337	51,879
Wastewater				
Residential Sewer Service	1,157,245	1,239,257	1,236,392	1,230,812
Business Sewer Service	774,006	799,104	801,895	798,802
Port				
Passenger Wharfage ¹	4,667,968	5,917,231	6,484,425	6,471,647
Docking	1,451,395	1,561,813	1,891,913	1,929,406
Customer Base				
Electric				
Residential	5,652	5,677	5,731	5,731
Commercial	1,077	1,091	1,105	1,127
Industrial	14	14	14	14
Other	508	523	496	493
Telecommunications				
Residential Access Lines	5,434	5,036	4,265	3,804
Commercial Access Lines	4,120	4,003	3,857	3,663
Water				
Residential	2,586	2,776	2,769	2,748
Apartments	15	16	18	18
Commercial	420	424	422	435
Industrial	6	7	7	6
Cannery	3	3	3	4
Fire Hydrant	4	4	4	6
Marine Vessels	25	25	31	29
Wastewater				
Residential ²	2,589	2,779	2,772	2,752
Business ³	426	431	429	441
Port				
Cruiseships	36	36	37	36
Stops	503	499	502	496
Passengers ⁴	837,498	894,216	930,958	926,051

¹ In 2004, the City Council adopted an ordinance to assess passenger wharfage fees for passengers arriving by passenger ship. The fee assessed to the passenger ships for passengers is dependent on whether the ship docks or lighters its passengers to City's owned berthing facilities.

² The number of residential customers reflected on this schedule includes the number of apartment buildings serviced for wastewater services.

³ Beginning in 2000, the industrial customers were lumped with all other commercial customers into the business category.

⁴ Beginning in 2006, the number of passengers only include those that generate revenue. The counts reflected in prior years represent both revenue and non-revenue generating passengers.

Source: City of Ketchikan financial records & Ketchikan Visitors Bureau

Table 12

	2010	2011	2012	2013	2014	2015
\$	6,557,170	\$ 6,929,817	\$ 7,240,637	\$ 6,929,393	\$ 6,796,723	\$ 6,752,943
	268,981	293,654	318,564	299,465	298,227	279,072
	6,186,808	6,404,792	6,673,188	6,701,322	6,690,774	6,584,210
	1,758,452	1,767,912	1,862,015	1,915,505	1,750,002	1,784,436
	427,292	443,170	481,321	510,887	514,972	507,363
	48,833	48,890	48,974	48,995	49,172	50,076
	124,526	124,978	126,239	126,178	127,692	129,143
	18,848	231,477	16,477	2,388,021	96,283	4
	562,291	442,410	464,797	426,644	293,569	350,271
	2,274,624	2,194,530	2,131,351	2,100,995	2,005,521	2,030,655
	8,644,023	8,591,786	8,399,849	8,660,056	9,259,709	9,040,684
	2,967,362	3,261,045	3,565,887	4,036,708	4,396,232	5,596,871
	560,477	453,180	489,827	444,218	499,346	461,826
	1,110,982	1,277,902	1,300,147	1,343,648	1,377,255	1,521,500
	214,427	250,519	258,792	269,394	294,082	327,663
	864,542	1,003,574	998,294	1,042,848	1,102,474	1,208,718
	64,890	85,894	87,840	91,425	79,182	83,648
	150,887	156,455	143,560	144,614	149,219	152,636
	30,378	34,922	27,199	22,864	23,539	25,887
	128,792	124,230	146,820	189,975	172,688	159,075
	10,569	51,804	20,970	24,160	10,256	23,051
	1,224,650	1,269,208	1,349,227	1,490,983	1,623,781	1,771,393
	785,117	848,585	866,087	960,818	951,760	986,268
	5,725,215	5,786,811	6,183,922	6,556,500	6,110,005	6,504,788
	1,721,945	1,702,405	1,741,242	1,877,195	1,770,044	1,782,260
	5,756	5,757	5,808	5,819	5,817	5,854
	1,153	1,165	1,173	1,171	1,201	1,221
	13	12	13	13	13	15
	496	509	524	511	518	543
	3,554	3,397	3,235	3,138	3,313	3,352
	3,442	3,225	3,078	2,909	2,550	2,371
	2,738	2,743	2,727	2,724	2,650	2,647
	17	17	20	21	25	27
	436	442	451	444	436	443
	5	5	4	4	3	3
	4	5	4	5	6	5
	7	7	8	8	8	8
	26	41	29	38	34	30
	2,742	2,748	2,731	2,729	2,656	2,698
	441	447	455	448	439	436
	26	28	34	31	37	38
	429	426	467	456	468	496
	820,914	830,547	885,799	938,124	877,589	934,772

(Un-Audited)

City of Ketchikan, Alaska
Gross Sales by Category
Last Ten Fiscal Years

	<u>2006</u>	<u>2007</u>	<u>2008</u>
Construction	\$ 46,904,980	\$ 72,986,206	\$ 74,689,365
Financial institutions	2,845,463	2,839,003	3,206,117
Hospitality/Lodging establishments	13,921,687	15,419,909	15,715,514
Manufacturing	27,579,031	25,659,038	33,228,873
Real estate	29,357,413	29,731,726	31,574,850
Retail trade	30,063,430	35,415,500	38,892,195
Food stores	56,714,201	60,266,506	64,502,949
Eating and drinking establishments	18,676,177	19,220,007	19,385,206
Auto dealers and supplies	27,795,745	30,254,098	29,985,003
Specialty retail	22,724,618	22,689,300	22,628,014
Curio and jewelry retail stores	97,514,795	108,525,884	107,568,439
Entertainment services	5,839,018	6,231,488	5,120,697
General services	13,512,605	13,412,559	14,655,960
Professional services	7,706,093	6,158,124	5,415,952
Transportation, communications and utilities	71,951,464	80,015,199	97,108,029
Wholesale Trade	1,710,850	1,923,182	2,453,976
Total	<u>\$ 474,817,570</u>	<u>\$ 530,747,729</u>	<u>\$ 566,131,139</u>
City direct sales tax rate	3.50%	3.50%	3.50%

Source: Ketchikan Gateway Borough

Note: The amounts reflected on this schedule are updated annually with current reported gross sales information provided by the Ketchikan Gateway Borough.

Table 13

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 45,688,894	\$ 53,963,770	\$ 97,779,530	\$ 114,226,583	\$ 80,064,539	\$ 79,879,957	\$ 84,830,072
33,548,048	3,568,553	3,010,179	4,068,889	3,585,261	3,010,972	2,871,973
13,919,621	14,299,381	13,383,768	14,454,796	14,592,618	15,306,801	16,072,410
45,278,415	38,226,547	22,501,369	37,134,074	34,523,582	31,357,256	46,151,420
32,100,208	34,744,533	34,656,761	35,685,068	35,715,939	36,188,140	37,741,863
39,100,653	41,071,350	42,633,172	73,056,673	44,780,208	47,103,028	46,048,220
64,050,650	65,772,052	70,007,757	72,477,358	72,937,274	75,011,735	84,508,761
19,210,420	19,637,754	20,382,296	21,871,782	21,289,797	21,297,129	22,840,923
23,397,340	17,668,162	20,011,040	21,057,944	20,507,871	21,605,338	20,488,466
21,540,494	20,086,961	20,382,680	21,138,639	20,694,118	21,103,471	25,596,833
95,368,893	92,817,025	91,689,448	91,625,009	97,196,923	89,986,022	96,616,445
5,027,445	4,664,347	4,817,402	5,026,773	4,900,749	5,172,619	5,040,047
15,211,913	14,853,387	15,131,681	15,034,197	15,189,184	15,625,336	16,530,298
8,807,335	6,949,378	9,475,358	8,194,467	6,951,499	7,829,101	11,049,645
74,302,527	82,679,962	88,867,855	89,069,251	92,416,862	85,612,698	72,737,107
5,188,170	4,868,637	4,772,431	5,251,730	5,342,196	5,216,329	6,441,570
<u>\$ 541,741,026</u>	<u>\$ 515,871,799</u>	<u>\$ 559,502,727</u>	<u>\$ 629,373,233</u>	<u>\$ 570,688,620</u>	<u>\$ 561,305,932</u>	<u>\$ 595,566,053</u>
3.50%	3.50%	3.50%	3.50%	3.50%	4.00%	4.00%



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DEBT CAPACITY

These schedules contain information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.

Outstanding Debt by Type Table 14
Ratio of General Bonded Debt Outstanding Table 15
Pledged Revenue Coverage Table 16
Direct and Overlapping Governmental Activities Debt Table 17

City of Ketchikan, Alaska
Outstanding Debt by Type
Last Ten Fiscal Years

<u>Governmental Activities</u>			
Fiscal Year	General Obligation Bonds	Capital Lease	Total Governmental Activities
2006	\$ 7,377,902	\$ 115,571	\$ 7,493,473
2007	6,834,456	67,377	6,901,833
2008	6,266,010	34,339	6,300,349
2009	5,682,565	-	5,682,565
2010	12,280,863	-	12,280,863
2011	11,452,328	-	11,452,328
2012	15,726,032	-	15,726,032
2013	14,535,682	-	14,535,682
2014	59,441,445	-	59,441,445
2015	57,984,080	-	57,984,080

<u>Business-Type Activities</u>										
	Wastewater General Obligation Bonds ¹	Wastewater Revenue Bonds ¹	Port General Obligation Bonds	Port Revenue Bonds	KPU Junior Lien Bonds ²	KPU Revenue Bonds	Total Business-Type Activities	Total Primary Government	Percentage of Personal Income	Total Debt to Population (Table 18)
2006	-	-	\$ 1,685,000	\$ 39,325,888	-	\$ 20,910,796	\$ 61,921,684	\$ 69,415,157	20.48%	\$ 9,060
2007	\$ 803,278	-	1,480,000	38,672,327	\$ 1,609,266	18,901,840	61,466,711	68,368,544	18.41%	8,842
2008	847,507	-	1,265,000	37,988,766	2,877,106	17,960,579	60,938,958	67,239,307	17.19%	8,956
2009	900,458	-	1,035,000	37,280,205	4,587,223	15,543,926	59,346,812	65,029,377	16.84%	8,667
2010	4,147,967	-	795,000	36,541,644	7,298,232	13,155,673	61,938,516	74,219,379	17.72%	9,220
2011	4,560,222	-	540,000	35,773,083	8,429,282	10,626,271	59,928,858	71,381,186	16.25%	8,767
2012	4,736,445	\$ 363,210	270,000	34,969,522	8,673,259	8,022,070	57,034,506	72,760,538	15.62%	8,776
2013	2,763,776	308,811	-	34,130,961	8,804,413	20,938,869	66,946,830	81,482,512	17.90%	9,802
2014	2,711,970	295,463	-	33,257,400	10,154,554	17,595,000	64,014,387	123,455,832	25.79%	14,849
2015	1,972,026	281,916	-	31,775,000	9,798,191	16,428,839	60,255,972	118,240,052	24.67%	14,285

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

¹ ADEC Clean Water Loan Program - \$8,263,532 authorized.

² ADEC Drinking Water Loan Program - \$13,856,720 authorized.

Source: City of Ketchikan financial records

City of Ketchikan, Alaska
Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	Population (Table 18)	Taxable Assessed Value (Table 7)	General Obligation Bonds	Ratio of GO Debt to Assessed Value of Property	Net GO Debt Per Capita
2005	7,685	\$ 549,889,500	\$ 9,781,348	1.78%	\$ 1,273
2006	7,662	587,592,000	9,062,902	1.54%	1,183
2007	7,732	649,661,700	9,117,734	1.40%	1,179
2008	7,508	718,646,800	8,378,517	1.17%	1,116
2009	7,503	745,354,000	7,618,023	1.02%	1,015
2010	8,050	745,845,700	17,223,830	2.31%	2,140
2011	8,142	745,345,700	16,552,550	2.22%	2,033
2012	8,291	749,698,100	20,732,477	2.77%	2,501
2013	8,313	797,660,600	17,299,458	2.17%	2,081
2014	8,314	805,953,200	62,153,415	7.71%	7,476
2015	8,277	808,372,648	59,956,106	7.42%	7,244

Note: This schedule includes all general obligation bonds of the City of Ketchikan including both governmental activities and business-type activities.

Source: City of Ketchikan financial records

(Un-Audited)

City of Ketchikan, Alaska
Pledged-Revenue Coverage
Last Ten Fiscal Years

Utility Revenue Bonds						
Fiscal Year	Gross Revenues ¹	Expenses Excluding Depreciation Taxes & Debt	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2005	28,180,811	19,081,220	9,099,591	1,810,000	925,199	3.33
2006	32,021,949	20,823,737	11,198,212	1,895,000	961,107	3.92
2007	32,007,842	22,854,358	9,153,484	1,975,000	875,733	3.21
2008	34,271,562	25,546,774	8,724,788	2,205,000	772,045	2.93
2009	33,750,681	26,895,812	6,854,869	2,285,000	694,976	2.30
2010	33,171,040	24,664,044	8,506,996	2,415,000	512,270	2.91
2011	34,436,817	26,095,282	8,341,535	2,480,000	464,561	2.83
2012	35,106,045	27,404,250	7,701,795	2,609,722	475,663	2.50
2013	37,991,740	31,138,863	6,852,877	1,755,000	514,180	3.02
2014	36,458,482	29,062,975	7,395,507	1,810,000	784,780	2.85
2015	37,514,498	29,462,488	8,052,010	1,735,000	709,980	3.29

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation, or amortization expenses.

¹ Revenues do not include financial assistance recognized as revenues pursuant to GASB Statement 33.

² Other represents lease payment and payment to repair and replacement fund.

Table 16

Port Revenue Bonds							
Gross Revenue	Expenses Excluding Depreciation and Lease	Net Available Revenue	Debt Service			Coverage	
			Principal	Interest	Other ²	Debt Service	Debt Service/ Lease
-	-	-	-	-	-	-	-
7,290,332	2,299,099	4,991,233	-	677,465	-	7.37	-
8,595,881	1,658,254	6,937,627	625,000	1,951,100	-	2.69	-
9,220,727	2,380,586	6,840,141	655,000	1,924,537	2,989,183	2.65	1.24
9,248,432	2,933,667	6,314,765	680,000	1,896,700	2,952,065	2.45	1.13
8,093,975	2,925,697	5,168,278	710,000	1,867,800	2,668,757	2.00	0.99
8,067,105	2,308,515	5,758,590	740,000	1,835,850	2,386,863	2.24	1.16
10,620,142	1,949,449	8,670,693	775,000	1,802,550	2,628,181	3.36	1.67
11,147,463	3,252,757	7,894,706	810,000	1,767,675	2,922,942	3.06	1.44
11,186,885	5,202,311	5,984,574	845,000	1,731,225	2,892,155	2.32	1.09
9,189,712	3,812,105	5,377,607	885,000	1,691,088	2,889,138	2.09	0.98

City of Ketchikan, Alaska
Direct and Overlapping Governmental Activities Debt
As of December 31, 2015

Name of Governmental Unit	Debt Outstanding	Estimated Percentage Applicable ¹	Estimated Share of Overlapping Debt
Ketchikan Gateway Borough-Overlapping Debt	44,585,000	61.81%	27,556,588
City of Ketchikan-Direct Debt	57,984,080	100.00%	<u>57,984,080</u>
Total Direct and Overlapping Debt			<u>\$ 85,540,668</u>

Note: Overlapping governments are those that coincide with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Ketchikan. This process recognizes that, when considering the city's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying each debt of each overlapping government.

¹ For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using assessed property values. Applicable percentages were estimated by determining the portion of the Ketchikan Gateway Borough's assessed value and dividing it by each unit's total assessed value.

² The figures reported for the Ketchikan Gateway Borough reflect the amounts shown in their FY2015 Comprehensive Annual Financial Report for the year ended June 30, 2015.

Sources: Assessed value data used to estimate applicable percentages provided by the Ketchikan Gateway Borough Assessment Department. Debt outstanding data provided by the Ketchikan Gateway Borough & City of Ketchikan Finance Departments.

DEMOGRAPHIC AND ECONOMIC INFORMATION

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Demographic and Economic Statistics	Table 18
Principal Employers.....	Table 19

(Un-Audited)

City of Ketchikan, Alaska
Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population		Personal Income ⁽¹⁾	Per Capita	School ⁽³⁾ Enrollment
	City	Ketchikan Gateway Borough		Personal Income ⁽²⁾	
2006	7,662	13,176	582,757,000	43,215	2,229
2007	7,732	13,166	632,244,000	47,416	2,167
2008	7,508	12,993	676,975,000	50,828	2,115
2009	7,503	12,984	668,441,000	50,281	2,110
2010	8,050	13,477	701,266,000	51,807	2,116
2011	8,142	13,686	738,515,000	54,088	2,167
2012	8,291	13,750	772,398,000	56,342	2,201
2013	8,313	13,938	763,228,000	55,730	2,266
2014	8,314	13,856	797,942,000	57,876	2,360
2015	8,277	13,778	797,942,000	57,876	2,239

Note: Except as specifically noted the demographic and economic statistical information reflected in this schedule represents data for the Ketchikan Gateway Borough (KGB) as the data for the specific areas within the KGB such as the City of Ketchikan are not available.

¹ The amount of personal income reflects the amount reflected on State of Alaska website, which provides the interface for U.S. Department of Commerce, Bureau of Economic Analysis data for the Ketchikan Gateway Borough because information specific to the City of Ketchikan is not currently available. The information reflected in this schedule represents the most current data available and may differ from the amounts that have been reported in prior years. Information has not been released that shows this type of information for 2015 so an estimate has been provided.

² The amount of per capita personal income reflects the amount reflected on State of Alaska website, which provides the interface for U.S. Department of Commerce, Bureau of Economic Analysis data for the Ketchikan Gateway Borough because information specific to the City of Ketchikan is not currently available. The information reflected in this schedule represents the most current data available and may differ from the amounts that have been reported in prior years. The amount reflected for 2015 is an estimate as data is not currently available.

³ The School Enrollment figures reflects kindergarten through grade 12 enrollment from the State of Alaska website for the Ketchikan Gateway Borough as of October 1. The link for 2015 information can be accessed at <http://www.eed.state.ak.us/stats/DistrictEnrollment/2016DistrictEnrollment.pdf>. Information reflected in this schedule reflects the amounts stated for each of the respective years and may differ from the amounts that have been reported in prior years.

⁴ A change in the way labor force statistics are calculated for sub-state areas makes data prior to 2010 not comparable with other data. The Civilian Labor Force figures are the amounts reflected on State of Alaska website for the Ketchikan Gateway Borough because information specific to the City of Ketchikan is not currently available. The information reflected in this schedule represents the most current data available and may differ from the amounts that have been reported in prior years.

⁵ Registered motor vehicle information reflected in this schedule is representative of amounts reported by the State of Alaska, Department of Administration, Division of Motor Vehicles for the Ketchikan Gateway Borough because information specific to the City of Ketchikan is unavailable at this time.

Sources: Personal income and unemployment rate information provided by the State of Alaska's website interface to the U.S. Department of Commerce, Bureau of Economic Analysis. The reported population counts reflect the levels stated by the State of Alaska, Department of Commerce, Division of Community and Regional Affairs. Motor vehicle information is provided by the State of Alaska, Department of Administration, Division of Motor Vehicles.

Table 18

Civilian Labor Force ⁽⁴⁾			Motor
Employed	Unemployed	Unemployment Rate	Vehicles Registered ⁽⁵⁾
7,591	488	6.0%	16,437
7,789	447	5.4%	16,522
7,821	471	5.7%	16,640
7,712	590	7.1%	16,670
6,474	622	8.8%	16,485
6,560	620	8.6%	16,530
6,596	581	8.1%	16,504
6,609	553	7.7%	16,517
6,557	554	7.8%	16,520
6,546	477	6.8%	16,578

City of Ketchikan, Alaska
Principal Employment by NAICS Industry Category
This Year and Nine Years Ago

<u>Employer</u>	2015¹		2006	
	<u>Average Employment</u>	<u>Rank</u>	<u>Average Employment</u>	<u>Rank</u>
Federal Government	235	10	301	8
State Government	679	5	672	5
Local Government	1,150	2	1,052	2
Natural Resource and Mining	124	12	165	12
Construction	375	7	277	9
Manufacturing	568	6	435	6
Trade, Transportation and Utilities	1,745	1	1,885	1
Information	87	13	101	13
Financial Activities	369	8	337	7
Professional & Business Services	283	9	223	10
Educational & Health Services	943	3	683	4
Leisure & Hospitality	928	4	841	3
Other Services	174	11	196	11

Employment by NAICS Industry Category is reflected for the Ketchikan Gateway Borough because information specific to the City of Ketchikan is not currently available.

¹ The average 2015 employment figures reflect preliminary results from the State of Alaska website, which provides the interface for U.S. Department of Commerce, Bureau of Economic Analysis data for the Ketchikan Gateway Borough because information specific to the City of Ketchikan is not currently available. The information reflected in this schedule represents an average of the first three quarters from the preliminary data available. Information for the fourth quarter has not been released that shows this type of information for 2015.

Source: State of Alaska, Department of Labor

OPERATING INFORMATION

These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.

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Utility Rates and Charges	Table 30
Port Fund Operating Results.....	Table 31



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CITY OF KETCHIKAN, ALASKA
Property Value and Construction
Last Ten Fiscal Years

Year	Construction		Real & Personal Property Value (2)
	Number of Permits (1)	Value (1)	
2006	199	20,933,707	594,968,200
2007	190	12,120,861	633,321,300
2008	180	24,505,040	697,332,200
2009	198	13,981,121	768,741,400
2010	156	11,084,859	798,108,100
2011	157	106,064,282	800,947,400
2012	139	22,381,845	801,175,000
2013	148	12,109,557	857,398,200
2014	146	52,184,617	869,827,300
2015	148	13,895,087	873,497,448

Sources:

- (1) - City of Ketchikan Building Inspection Division
- (2) - Ketchikan Gateway Borough Department of Assessment

(Un-Audited)

CITY OF KETCHIKAN, ALASKA
Full-time Equivalent City Employees by Function/Program
Last Ten Years

<u>Function/Program</u>	2006	2007	2008	2009
General government				
Mayor and Council	8.00	8.00	8.00	8.00
Law	2.00	2.00	2.00	2.00
Clerk	2.00	2.00	2.00	2.00
City Manager	4.50	4.50	4.50	4.50
Finance	16.00	16.00	16.00	16.00
Information Technology	8.00	8.00	9.00	8.10
Public Safety				
Fire	18.50	18.50	19.50	20.00
Police	35.30	35.30	35.80	35.30
Culture				
Library	13.86	13.88	13.33	13.33
Museum	8.45	8.45	8.45	8.45
Civic Center	3.00	3.00	3.00	3.00
Health and Welfare				
Gateway Center for Human Services ¹	39.24	39.24	36.40	19.00
Public Works				
Engineering	9.00	13.00	13.00	11.00
Streets	12.00	12.00	14.00	14.00
Solid Waste	10.00	10.00	11.00	11.00
Garage & Warehouse	4.00	4.00	4.00	4.00
Wastewater	7.00	8.00	8.00	8.00
Building Maintenance	2.00	2.00	2.00	2.00
Port and Harbors				
Small Boat Harbors	5.20	5.20	5.20	4.80
Port Development	3.80	3.80	3.80	4.20
Ketchikan Public Utilities				
Administration	1.50	1.50	1.50	1.50
Engineering ²	7.50	7.50	7.50	7.50
Sales, Marketing & Customer Service ³	12.50	12.50	12.50	16.50
Electric	42.00	42.00	42.00	42.00
Telephone	44.50	45.00	47.00	41.00
Water	7.50	7.50	7.50	7.50
Total	327.35	332.87	336.98	314.68

Source: City of Ketchikan Budget Records

¹ Effective May 1, 2010 the City ceased management of the operations associated with the Gateway Center for Human Services Division.

² Effective January 1, 2012, the former KPU Engineering Division was dissolved and staff members were reassigned to other divisions. The number of employees in the KPU Engineering Division for calendar years 2004 through 2011 reflect the former staffing plan.

³ Effective May 7, 2009 the former Customer Service Division was renamed Sales, Marketing and Customer Service Division and four Telecommunications staff members were reassigned to the newly established division. The number of employees reflected in Telecommunications and Sales, Marketing & Customer Service Divisions for calendar years 2004 through 2008 reflect the former staffing plan.

Table 21

2010	2011	2012	2013	2014	2015
8.00	8.00	8.00	8.00	8.00	8.00
2.00	2.00	1.00	1.00	1.00	1.25
2.00	2.00	2.00	2.00	2.00	2.00
4.50	4.50	4.50	4.50	4.50	4.50
16.00	16.00	16.00	16.00	15.00	16.00
7.00	7.00	7.00	7.00	7.00	7.00
20.00	19.00	19.00	19.00	19.00	19.00
36.30	36.30	36.30	36.30	35.30	35.30
11.83	11.83	12.31	12.31	12.41	12.79
7.45	7.20	7.20	7.20	7.20	7.20
3.00	3.00	3.00	3.00	3.00	3.00
11.00	11.50	13.00	12.00	12.00	12.00
13.00	13.00	13.00	13.00	13.00	13.00
11.00	11.00	11.00	11.00	11.00	11.00
4.00	4.00	4.00	4.00	4.00	4.00
8.00	8.00	8.00	8.00	8.00	8.00
2.00	2.00	2.00	2.00	2.00	2.00
4.80	5.40	5.40	5.40	5.40	5.20
4.20	4.60	4.60	4.60	4.60	4.80
1.50	1.50	2.50	2.50	2.50	2.50
4.50	4.50				
16.00	16.00	16.00	16.83	17.00	17.00
42.00	43.00	43.40	43.40	43.40	43.40
41.00	40.00	43.00	43.92	43.00	42.00
8.50	8.50	10.60	10.60	10.60	10.60
289.58	289.83	292.81	293.56	290.91	291.54

(Un-Audited)

CITY OF KETCHIKAN, ALASKA
Operating Indicators by Function/Program
Last Ten Years

Function/Program	2006	2007	2008	2009
City Manager				
Personnel Job Postings	139	111	130	81
Information Technology				
Workstations	275	281	287	291
Portables	34	39	42	45
Printers	90	96	103	107
Public Safety				
Fire				
EMS/Rescue Responses	1,090	1,175	1,242	1,256
Fire Responses	48	51	60	52
Volunteer Fire Persons	35	33	35	39
Police				
DUI Offenses	243	198	162	142
Domestic Violence	143	154	197	221
Larceny Offenses	444	408	367	395
Culture				
Library				
Volumes in collection	65,614	66,057	68,054	68,879
Annual Circulation	161,815	169,743	160,698	151,826
Offered Programs	238	254	282	243
Program Attendance	5,577	5,233	6,877	1,658
Museum				
Tongass Historical Museum Attendance	22,264	21,549	21,116	25,529
Tongass Historical Museum Exhibit Openings	4	3	4	4
Totem Heritage Center Attendance	38,054	36,659	45,228	45,721
THC Native Arts Studies Course Offerings	18	11	10	11
Civic Center				
Days Occupied	219	199	186	242
Events	139	158	148	156
Public Works				
Engineering				
Issued Building Permits	199	190	180	198
Solid Waste				
Municipal Solid Waste - tons per day	27.07	26.35	25.57	25.50
Trash - tons per day	12.07	11.73	12.15	12.41
Incineration - tons per day	0.14	0.09	0.03	0.03
Recycle - tons per day	7.02	8.82	6.02	6.25
Port and Harbors				
Reserved Moorage Stalls Rented	780	770	758	745
Transient Moorage Feet Sold	317,299	291,728	560,453	535,939
Cruise Ship Stops	503	499	502	496
Cruise Ship Passengers	838,880	899,638	941,910	937,419
Ketchikan Public Utilities				
Customer Service				
Utility Service Orders	5,657	5,394	5,538	5,828

Sources: Various City Departments

Table 22

2010	2011	2012	2013	2014	2015
85	137	130	106	100	105
318	318	327	339	351	347
52	52	48	52	66	70
91	91	87	83	89	100
1,158	1,196	1,404	1,287	1,401	1,425
46	434	198	398	406	526
27	27	25	21	17	17
130	122	62	40	55	68
365	181	72	79	75	55
400	415	316	272	263	265
69,968	74,228	84,049	77,181	95,427	99,311
190,186	177,454	158,364	178,856	181,105	187,916
262	243	245	324	572	561
6,733	6,230	6,076	8,397	13,151	13,790
20,818	21,451	20,534	25,656	25,593	24,552
4	4	4	4	3	2
43,088	33,603	25,905	30,949	31,266	33,218
12	10	11	11	12	10
180	174	203	179	143	149
154	132	147	139	90	84
156	157	139	148	146	148
24.57	24.53	23.02	23.22	23.54	24.10
12.90	14.14	14.96	12.94	14.64	12.51
0.04	0.02	0.02	0.02	0.03	0.02
6.25	7.13	5.49	18.40	16.53	6.08
693	726	715	753	735	821
529,565	524,316	501,467	343,312	314,517	271,454
429	426	462	453	468	496
828,929	830,547	885,799	938,124	846,636	934,772
5,798	5,417	4,720	4,937	4,120	3,132

(Un-Audited)

CITY OF KETCHIKAN, ALASKA
Capital Asset Statistics by Function/Program
Last Ten Years

	2006	2007	2008	2009
<u>Function/Program</u>				
Public Safety				
Fire				
Stations	3	3	3	3
Police				
Stations	1	1	1	1
Culture				
Number of Libraries	1	1	1	1
Number of Museums	2	2	2	2
Number of Civic Centers	1	1	1	1
Public Works				
Engineering				
Municipal Area in Square Miles	5	5	5	5
Streets				
Miles of Streets	24.64	24.84	25.07	25.07
Miles of Stairways	1	1	1	1
Municipal Parking Lots	36	37	37	37
Cemetery				
Acreage Size	9	9	9	9
Port and Harbors				
Harbors				
Harbor with Boat Launch Ramp	2	2	2	2
Harbor without Boat Launch Ramp	3	3	3	3
Boat Launch Ramp Facility	1	1	1	1
Port Berths	3	3	4	4

Sources: Various City Departments

Table 23

2010	2011	2012	2013	2014	2015
3	3	3	3	3	3
1	1	1	1	1	1
1	1	1	1	1	1
2	2	2	2	2	2
1	1	1	1	1	1
5	5	5	5	5	5
27.89	27.89	27.89	27.89	27.89	29.37
1	1	1	1	1	2
37	37	37	37	37	38
9	9	9	9	9	9
2	2	2	2	2	2
3	3	3	3	3	3
1	1	1	1	1	1
4	4	4	4	4	4

CITY OF KETCHIKAN, ALASKA
INSURANCE COVERAGES
as of December 31, 2015

Condensed Description of Coverage	Coverage per Occurrence and Deductible Amounts	Condensed Description of Coverage	Coverage per Occurrence and Deductible Amounts
Property Insurance (includes Boiler & Machinery)		Police Professional Liability	
Coverage Amounts	Per Schedule	Coverage Limits	\$15,250,000
Deductible	\$25,000	Deductible	75,000
Commercial Comprehensive General Liability		Public Officials/Employment Practices Liability	
Coverage Limits	15,250,000	Coverage Limits	15,250,000
Deductible	75,000	Deductible	75,000
Employee Benefits Liability		Fidelity/Crime Insurance	
Coverage Limits	15,250,000	Notary Errors and Omissions	
Deductible	75,000	Coverage Limits	25,000
Commercial Comprehensive Auto Liability		Public Employees Blanket Bond	
Coverage Limits	15,250,000	Coverage Limits	2,500,000
Deductible	75,000	Deductible	50,000
Marine Insurance		Public Officials Bond	
Hull Coverage Limits	Per Schedule	City Manager - Coverage Limits	10,000
Hull War Risk		Finance Director - Coverage Limits	100,000
Coverage Limits	Per Schedule	Deductible	none
Primary Protection & Indemnity		Marina and Wharfingers	
Coverage Limits	1,000,000	Wharfingers/Terminal Operator's/	
Deductible	1,000	Marina Operators/Charterers Liability	
Primary War Risk		Coverage Limits	3,000,000
Coverage Limits	1,000,000	Deductible	10,000
Deductible	none	Sudden and Accidental Pollution Liability	
Excess Protection & Indemnity and		Coverage Limits	3,000,000
Excess P&I War Risk		Deductible	25,000
Coverage Limits	9,000,000	Excess Wharfingers/Terminal Operators/	
Deductible	none	Marina Operators/Charterers/Sudden	
Ambulance Malpractice		and Accidental Pollution Liability	
Coverage Limits	15,250,000	Coverage Limits	17,000,000
Deductible	75,000	Deductible	none
Broadcast Errors and Omissions		XS Marine Liability - Port	27,000,000
Coverage Limits	2,000,000	Worker's Compensation Insurance	
Deductible	10,000	Coverage Limits	Legal Limits
		Pollution Liability	
		Coverage Limits	1,000,000
		Deductible	25,000

CITY OF KETCHIKAN, ALASKA
Utility Statistical Operating Information
Last Ten Fiscal Years

Year	Number of Customers			K.W.H. Sold	Per K.W.H. Sold		Average Residential K.W.H. Used December
	Electric	Water	Telephone *		Operating Revenue	Cost	
2006	7,251	3,034	9,554	152,159,932	0.1003	0.0946	1,095
2007	7,305	3,230	9,039	154,802,805	0.0992	0.0995	1,111
2008	7,346	3,223	8,122	159,340,267	0.1142	0.1049	1,187
2009	7,365	3,217	7,558	158,146,666	0.1088	0.1068	1,196
2010	7,418	3,207	7,103	156,985,441	0.1016	0.0991	1,087
2011	7,443	3,219	7,057	164,713,929	0.1013	0.0953	1,218
2012	7,518	3,214	6,434	172,190,266	0.1001	0.0955	1,222
2013	7,514	3,206	6,083	170,281,664	0.1136	0.1119	1,220
2014	7,606	3,128	5,863	167,939,155	0.0989	0.0992	1,212
2015	7,694	3,133	5,723	163,896,254	0.1003	0.0996	1,178

* Average number of revenue access lines.

(Un-Audited)

CITY OF KETCHIKAN, ALASKA

Energy Demand, Peak Demand and Resources

Gross Generation (kWh)

Last Ten Fiscal Years

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Energy Demand					
Total Sales	152,159,932	154,802,805	159,340,267	158,146,666	156,985,441
System losses	<u>13,044,418</u>	<u>10,001,995</u>	<u>10,641,933</u>	<u>13,668,534</u>	<u>13,514,059</u>
Total	<u>165,204,350</u>	<u>164,804,800</u>	<u>169,982,200</u>	<u>171,815,200</u>	<u>170,499,500</u>
Peak Demand	28,900	29,000	30,200	30,300	28,800
Energy Resources					
KPU Hydroelectric	79,778,150	79,994,900	83,912,500	78,895,500	76,062,100
Southeast Alaska Power Agency ¹	83,596,800	82,195,200	68,294,400	79,027,200	92,908,800
Diesel Generation	<u>1,829,400</u>	<u>2,614,700</u>	<u>17,775,300</u>	<u>13,892,500</u>	<u>1,528,600</u>
Total	<u>165,204,350</u>	<u>164,804,800</u>	<u>169,982,200</u>	<u>171,815,200</u>	<u>170,499,500</u>
Energy Costs (kWh) ²					
Hydroelectric Generation	\$ 0.0172	\$ 0.0185	\$ 0.0170	\$ 0.0176	\$ 0.0222
Diesel Generation	0.8133	0.7305	0.2908	0.3027	1.0902
Purchased Power ³	0.0583	0.0655	0.0656	0.0659	0.0610
Total Cost of Production (kWh)	0.0468	0.0533	0.0652	0.0629	0.0529

¹ Prior to December 2008, the Southeast Alaska Power Agency was known as the Four Dam Pool Power Agency, Inc. The Four Dam Pool was divested and the two hydroelectric projects that service Southeast Alaska were transferred to the Southeast Alaska Power Agency.

² Cost per kWh include operations and maintenance and depreciation.

³ Purchased power cost per kWh represents includes rebates, but not line losses.

Table 26

	2011	2012	2013	2014	2015
	164,713,929	172,190,266	170,281,664	167,939,155	163,896,254
	14,009,987	13,701,858	8,474,536	8,504,552	11,298,142
	<u>178,723,916</u>	<u>185,892,124</u>	<u>178,756,200</u>	<u>176,443,707</u>	<u>175,194,396</u>
	30,300	27,150	25,900	30,500	25,700
	82,594,936	85,816,264	74,703,000	86,755,268	91,893,718
	91,584,000	97,804,800	91,856,000	87,923,000	82,277,072
	4,544,980	2,271,060	12,197,200	1,765,439	1,023,606
	<u>178,723,916</u>	<u>185,892,124</u>	<u>178,756,200</u>	<u>176,443,707</u>	<u>175,194,396</u>
\$	0.0231	\$ 0.0228	\$ 0.0262	\$ 0.0275	\$ 0.0300
	0.4867	0.8622	0.3857	0.8715	1.3278
	0.0556	0.0611	0.0630	0.0645	0.0654
	0.0515	0.0532	0.0696	0.0544	0.0542

(Un-Audited)

CITY OF KETCHIKAN, ALASKA
Historical Electric Customers, Energy Sales and Operating Results
Last Ten Fiscal Years

	2006	2007	2008	2009	2010
Customers (Average)					
Residential	5,652	5,677	5,731	5,731	5,756
Commercial	1,077	1,091	1,105	1,127	1,153
Industrial	14	14	14	14	13
Other	508	523	496	493	496
Total	7,251	7,305	7,346	7,365	7,418
Energy Sales (KWH)					
Residential	59,870,257	62,275,248	65,977,138	66,565,425	64,938,484
Commercial	67,222,118	67,669,664	68,148,711	66,601,484	66,351,381
Industrial	21,181,708	20,865,150	21,275,072	21,215,194	21,981,458
Other	3,885,849	3,992,743	3,939,346	3,764,563	3,714,118
Total	152,159,932	154,802,805	159,340,267	158,146,666	156,985,441
Operating Results					
Operating Revenues					
Revenues from Energy Sales	\$14,483,744	\$14,795,312	\$17,729,748	\$16,639,918	\$15,390,910
Other Operating Revenues	771,160	567,665	472,660	564,893	562,291
Total Operating Revenues	15,254,904	15,362,977	18,202,408	17,204,811	15,953,201
Operating Expenses					
Hydroelectric Generation	951,476	1,064,215	1,008,647	949,398	1,225,358
Diesel Generation	778,303	1,230,036	4,504,445	3,536,432	1,093,997
Purchased Power	4,873,547	5,383,696	4,477,324	5,205,128	5,663,664
Transmission and Distribution	1,690,735	1,885,281	1,704,557	2,121,534	2,648,485
Administration and General	2,007,768	1,969,007	2,281,082	2,262,656	1,976,837
Total Operating Expenses	10,301,829	11,532,235	13,976,055	14,075,148	12,608,341
Payment In Lieu of Taxes	328,965	335,830	335,400	323,730	351,478
Total Expenses	10,630,794	11,868,065	14,311,455	14,398,878	12,959,819
Net Revenue	\$4,624,110	\$3,494,912	\$3,890,953	\$2,805,933	\$2,993,382

Table 27

2011	2012	2013	2014	2015
5,757	5,808	5,819	5,817	5,854
1,165	1,173	1,171	1,201	1,221
12	13	13	13	15
509	524	511	575	604
<u>7,443</u>	<u>7,518</u>	<u>7,514</u>	<u>7,606</u>	<u>7,694</u>
68,484,718	71,794,062	68,668,600	67,665,456	66,410,470
69,021,595	71,815,802	72,269,920	72,777,304	70,736,227
23,242,166	24,452,654	25,306,208	23,408,642	22,935,650
3,965,450	4,127,748	4,036,936	4,087,753	3,813,907
<u>164,713,929</u>	<u>172,190,266</u>	<u>170,281,664</u>	<u>167,939,155</u>	<u>163,896,254</u>
\$16,244,690	\$16,767,415	\$18,919,766	\$16,323,845	\$16,087,247
442,410	464,797	426,644	293,569	350,271
<u>16,687,100</u>	<u>17,232,212</u>	<u>19,346,410</u>	<u>16,617,414</u>	<u>16,437,518</u>
1,442,543	1,494,523	1,489,541	1,599,911	1,659,158
1,856,120	1,500,999	4,317,797	1,302,115	1,189,814
5,093,489	5,976,876	5,784,566	5,674,201	5,381,319
2,766,478	3,043,918	3,312,784	3,627,608	3,432,156
2,032,081	1,549,445	1,644,964	1,693,482	1,644,771
13,190,711	13,565,761	16,549,652	13,897,317	13,307,218
353,954	343,266	381,993	381,993	381,993
<u>13,544,665</u>	<u>13,909,027</u>	<u>16,931,645</u>	<u>14,279,310</u>	<u>13,689,211</u>
<u>\$3,142,435</u>	<u>\$3,323,185</u>	<u>\$2,414,765</u>	<u>\$2,338,104</u>	<u>\$2,748,307</u>

(Un-Audited)

CITY OF KETCHIKAN, ALASKA
Historical Telephone Access Lines and Operating Results
Last Ten Fiscal Years

	2006	2007	2008	2009
Access Lines				
Residential	5,434	5,036	4,265	4,099
Commercial	4,120	4,003	3,857	3,459
Total	9,554	9,039	8,122	7,558
Operating Results				
Operating Revenues				
Local	\$3,237,357	\$2,854,206	\$2,644,869	\$2,442,452
Long Distance	8,403,318	7,745,095	7,449,484	8,163,920
Other	2,433,928	2,874,525	2,914,024	3,177,304
Total Operating Revenues	14,074,603	13,473,826	13,008,377	13,783,676
Operating Expenses				
Operation and Maintenance	5,456,256	6,818,792	6,828,519	7,627,836
Administration and General	3,270,553	2,747,917	2,928,878	3,342,355
Total Operating Expenses	8,726,809	9,566,709	9,757,397	10,970,191
Payment In Lieu of Taxes	159,575	148,643	149,770	175,837
Total Expenses	8,886,384	9,715,352	9,907,167	11,146,028
Net Revenue	\$5,188,219	\$3,758,474	\$3,101,210	\$2,637,648

Table 28

2010	2011	2012	2013	2014	2015
3,836	3,653	3,497	3,326	3,313	3,352
3,267	3,404	2,937	2,757	2,550	2,371
7,103	7,057	6,434	6,083	5,863	5,723
\$2,274,624	\$2,194,530	\$2,131,351	\$2,100,995	\$2,005,521	\$2,030,655
8,644,023	8,591,786	8,399,849	8,660,056	9,259,709	9,413,321
3,527,839	3,714,225	4,055,714	4,480,926	4,895,578	6,058,697
14,446,486	14,500,541	14,586,914	15,241,977	16,160,808	17,502,673
6,910,034	7,077,698	8,070,658	8,556,970	9,043,964	10,101,434
3,281,326	3,594,593	3,483,492	3,369,942	3,630,057	3,806,866
10,191,360	10,672,291	11,554,150	11,926,912	12,674,021	13,908,300
194,376	191,027	192,065	206,358	206,358	206,358
10,385,736	10,863,318	11,746,215	12,133,270	12,880,379	14,114,658
\$4,060,750	\$3,637,223	\$2,840,699	\$3,108,707	\$3,280,429	\$3,388,015

(Un-Audited)

CITY OF KETCHIKAN, ALASKA
Historical Water Customers and Operating Results
Last Ten Fiscal Years

	2006	2007	2008	2009	2010
Customers (Average)					
Residential	2,586	2,776	2,769	2,748	2,738
Apartments	15	16	18	18	17
Commercial	420	424	422	435	436
Industrial	6	7	7	6	5
Cannery	3	3	3	4	4
Fire Hydrant	4	4	4	6	7
Marine Vessels	25	25	31	29	26
Total	<u>3,059</u>	<u>3,255</u>	<u>3,254</u>	<u>3,246</u>	<u>3,233</u>
Operating Results					
Operating Revenues					
Revenues from Water Sales	\$1,721,181	\$1,926,563	\$2,028,651	\$2,251,001	\$2,535,859
Other Operating Revenues	<u>34,922</u>	<u>23,185</u>	<u>36,547</u>	<u>71,049</u>	<u>39,608</u>
Total Operating Revenues	<u>1,756,103</u>	<u>1,949,748</u>	<u>2,065,198</u>	<u>2,322,050</u>	<u>2,575,467</u>
Operating Expenses					
Source of Supply	309,422	252,829	261,141	265,409	330,625
Chlorination/Disinfection	183,419	203,440	231,838	247,069	228,238
Distribution	270,097	246,039	255,369	268,791	241,667
Maintenance	675,119	693,646	640,274	639,739	718,571
Administration and General	<u>357,042</u>	<u>359,460</u>	<u>447,091</u>	<u>429,465</u>	<u>345,242</u>
Total Operating Expenses	<u>1,795,099</u>	<u>1,755,414</u>	<u>1,835,713</u>	<u>1,850,473</u>	<u>1,864,343</u>
Payment In Lieu of Taxes	<u>161,460</u>	<u>165,527</u>	<u>164,830</u>	<u>175,433</u>	<u>182,146</u>
Total Expenses	<u>1,956,559</u>	<u>1,920,941</u>	<u>2,000,543</u>	<u>2,025,906</u>	<u>2,046,489</u>
Net Revenue	<u>(\$200,456)</u>	<u>\$28,807</u>	<u>\$64,655</u>	<u>\$296,144</u>	<u>\$528,978</u>

Table 29

2011	2012	2013	2014	2015
2,743	2,727	2,724	2,650	2,647
17	20	21	25	27
442	451	444	436	443
5	4	4	3	3
5	4	5	6	5
7	8	8	8	8
28	29	38	34	30
<u>3,247</u>	<u>3,243</u>	<u>3,244</u>	<u>3,162</u>	<u>3,163</u>
\$2,899,352	\$2,935,454	\$3,081,904	\$3,174,900	\$3,453,239
<u>85,948</u>	<u>48,168</u>	<u>47,024</u>	<u>33,795</u>	<u>48,939</u>
<u>2,985,300</u>	<u>2,983,622</u>	<u>3,128,928</u>	<u>3,208,695</u>	<u>3,502,178</u>
232,238	259,083	450,456	393,529	423,407
217,441	233,871	301,718	311,254	255,398
238,281	413,547	362,562	397,994	409,876
1,073,567	999,167	1,110,737	957,414	1,174,271
<u>470,753</u>	<u>378,671</u>	<u>411,626</u>	<u>431,446</u>	<u>423,847</u>
2,232,280	2,284,339	2,637,099	2,491,637	2,686,799
<u>183,019</u>	<u>192,669</u>	<u>197,649</u>	<u>197,649</u>	<u>197,649</u>
<u>2,415,299</u>	<u>2,477,008</u>	<u>2,834,748</u>	<u>2,689,286</u>	<u>2,884,448</u>
<u>\$570,001</u>	<u>\$506,614</u>	<u>\$294,180</u>	<u>\$519,409</u>	<u>\$617,730</u>



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CITY OF KETCHIKAN, ALASKA

Utility Rates and Charges

For the Year Ending December 31, 2015

Electric			
Residential	\$6.40	plus \$0.0958 per kWh	
Harbor service	11.75	plus \$0.0958 per kWh	
Commercial	36.30	plus \$0.0897 per kWh plus a demand charge of \$2.91 per kW in excess of 25 kW this flat fee in effect April through September	
Industrial	53.35	plus \$0.0831 per kWh plus a demand charge of \$2.91 per kW in excess of 25 kW	
Telecommunications			
Residential	10.40	line charge plus \$6.50 for FCC subscriber line charge	
	49.95	DSL Basic (Download Speed 3M and Upload Speed 1M)	
	59.95	DSL Regular (Download Speed 5M and Upload Speed 1M)	
	39.99	IPTV Basic (Does not include \$9.95 for High Definition Service)	
Business	18.95	per single or multi-business line plus \$9.20 for FCC subscriber line charge	
	59.95	DSL Basic (Download Speed 3M and Upload Speed 1.5M)	
	69.95	DSL Regular (Download Speed 5M and Upload Speed 1.5M)	
	49.99	IPTV Basic (Does not include \$9.95 for High Definition Service)	
Customer Premise Visit	35.00	On site visit to customer's premises	
Water			
Residential			
Homes & Trailers	48.19	per unit	
1-4 apartments	48.19	per unit	
5-24 apartments	43.92	per unit	
25+ apartments	37.68	per unit	
Business			
	50.84	plus size of line charges as follows	
1 inch	33.48		
1-1/4 inch	100.46		
1-1/2 inch	192.57		
2 inch	349.88		
2-1/2 inch	542.13		
3 inch	820.45		
4 inch	1,393.95		
Industrial			
	<u>Line Charges</u>	Canneries	
5/8 and 3/4 inch	66.97	Per Season	
1 inch	100.46	5/8 and 1 inch	\$745.59
1-1/4 inch	167.45	1 1/4 inch	1,338.84
1-1/2 inch	261.60	1-1/2 inch	1,787.79
2 inch	399.77	2 inch	5,347.31
2-1/2 inch	607.21		
3 inch	917.75		
4 inch	1,500.65		
6 inch	2,501.13		
8 inch	2,773.21		
Over 8 inch	by special contract		

(Un-Audited)

City of Ketchikan, Alaska
Port Fund Operating Results
Last Ten Fiscal Years

	2006	2007	2008	2009	2010
Assets					
Cash	\$ 4,529,687	\$ 8,471,112	\$ 4,939,650	\$ 4,827,125	\$ 4,364,226
Port Facilities (net)	10,405,568	41,226,714	46,312,527	44,947,620	43,642,947
Construction Work in Progress	26,082,665	3,493,927	832,620	963,018	1,116,782
Restricted Assets	19,872,348	4,743,690	4,215,908	4,819,708	5,307,521
Prepaid Expense			1,002,572	1,019,538	752,856
Other Assets	515,697	560,772	1,100,476	710,905	528,456
Total assets	<u>61,405,965</u>	<u>58,496,215</u>	<u>58,403,753</u>	<u>57,287,914</u>	<u>55,712,788</u>
Liabilities and Net Position					
General Obligation Bonds Payable	1,685,000	1,480,000	1,265,000	1,035,000	795,000
Revenue Bonds Payable	38,500,000	37,875,000	37,220,000	36,540,000	35,830,000
Other Liabilities	7,105,081	5,130,176	4,191,404	3,147,957	3,134,814
Total liabilities	<u>47,290,081</u>	<u>44,485,176</u>	<u>42,676,404</u>	<u>40,722,957</u>	<u>39,759,814</u>
Net Position	<u>\$ 14,115,884</u>	<u>\$ 14,011,039</u>	<u>\$ 15,727,349</u>	<u>\$ 16,564,957</u>	<u>\$ 15,952,974</u>
Operating Revenues	<u>\$ 6,427,207</u>	<u>\$ 7,895,063</u>	<u>\$ 8,839,267</u>	<u>\$ 8,922,228</u>	<u>\$ 8,000,492</u>
Operating Expenses					
Operation and Maintenance	\$ 2,299,099	\$ 1,506,749	\$ 3,653,251	\$ 5,522,050	\$ 5,486,471
Depreciation	657,485	985,775	1,390,850	1,460,265	1,446,527
Payment in Lieu of Taxes/Taxes	102,100	102,100	282,770	290,000	295,000
Total operating expenses	<u>3,058,684</u>	<u>2,594,624</u>	<u>5,326,871</u>	<u>7,272,315</u>	<u>7,227,998</u>
Operating Income	<u>3,368,523</u>	<u>5,300,439</u>	<u>3,512,396</u>	<u>1,649,913</u>	<u>772,494</u>
Non-Operating Revenue (Expense)	<u>(310,285)</u>	<u>(1,697,827)</u>	<u>(1,933,922)</u>	<u>(1,738,365)</u>	<u>(1,917,727)</u>
Income Before Contributions, Extraordinary Item & Transfers	3,058,238	3,602,612	1,578,474	(88,452)	(1,145,233)
Contributions	42,006	1,864,611	740,672	366,424	14,306
Capital Grants				559,636	518,944
Extraordinary Item					
Special Item			14,789		
Transfers	(1,853,659)	(5,572,069)	(617,625)		
Loss on sale of capital assets					
Change in Net Position	<u>\$ 1,246,585</u>	<u>\$ (104,846)</u>	<u>\$ 1,716,310</u>	<u>\$ 837,608</u>	<u>\$ (611,983)</u>
Revenue Bond Debt Coverage:					
1.25 x Annual Debt Service	7.37	2.69	2.65	2.45	2.00
1.0 x Annual Debt Service/Reserves					
Account/Repair and Replacement					
Fund/SPH Lease Payments	4.68	2.34	1.24	1.13	0.99
# of Ships	36	36	37	36	26
# of Calls/Stops	503	499	502	496	429
# of Water Passengers	837,498	894,216	930,958	926,051	820,914

Table 31

2011	Restated ¹ 2012	2013	2014	2015
\$ 2,373,808	\$ 2,285,517	\$ 2,900,167	\$ 5,504,277	\$ 6,420,791
42,121,390	47,867,526	53,659,903	54,481,904	52,934,352
5,531,746	5,066,048	5,449,151	200,947	439,032
5,623,924	6,082,097	6,595,730	8,724,101	7,582,492
782,959	1,055,740	1,124,342	1,021,346	1,113,090
2,786,483	3,080,061	5,546,430	2,903,333	3,150,839
59,220,310	65,436,989	75,275,723	72,835,908	71,640,596
540,000	270,000	-	-	-
35,090,000	34,315,000	33,505,000	32,660,000	31,775,000
2,847,180	1,072,313	1,699,380	860,042	1,275,821
38,477,180	35,657,313	35,204,380	33,520,042	33,050,821
\$ 20,743,130	\$ 29,779,676	\$ 40,071,343	\$ 39,315,866	\$ 38,589,775
\$ 7,986,404	\$ 8,592,255	\$ 9,145,920	\$ 8,578,059	\$ 9,032,271
\$ 4,110,674	\$ 4,026,731	\$ 4,582,100	\$ 4,726,515	\$ 4,636,079
1,401,754	1,359,513	1,636,863	1,587,253	1,589,941
295,000	295,000	319,000	319,000	319,000
5,807,428	5,681,244	6,537,963	6,632,768	6,545,020
2,178,976	2,911,011	2,607,957	1,945,291	2,487,251
(1,889,022)	(1,794,603)	(1,740,642)	(1,581,717)	(1,571,163)
289,954	1,116,408	867,315	363,574	916,088
29,536	2,018,165	1,993,212	2,491,297	70,425
4,654,981	6,214,416	8,676,543	4,407,753	277,647
(184,315)	(8,178)	(80,199)	(5,018,804)	(1,619,258)
		(1,165,204)	(2,999,297)	(27,082)
\$ 4,790,156	\$ 9,340,811	\$ 10,291,667	\$ (755,477)	\$ (382,180)
2.24	3.36	3.03	2.32	2.09
1.16	1.67	1.42	1.09	0.98
28	34	31	37	38
426	467	456	468	496
830,547	885,799	938,124	877,589	934,772



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